

EMPLOYERS' MANUAL

2004

PRODUCED BY

KENTUCKY TEACHERS' RETIREMENT SYSTEM

479 VERSAILLES ROAD

FRANKFORT, KENTUCKY 40601-3800

(502) 848-8640

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1

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KTRS Qualified Pension Plan Status

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PURPOSE OF THE EMPLOYER MANUAL

The Employer Manual is designed to help you, the employer, with the tasks of paying and reporting contributions to the Kentucky Teachers' Retirement System (KTRS). It also serves as a reference on KTRS policies, procedures, and benefits. It should not be used to interpret laws, regulations, or policies. Interpretation of KTRS laws, regulations, and policies should be requested in writing to KTRS.

Two copies of the Employer Manual are provided to each school district: one for the payroll clerk and one for the district superintendent. Periodically, you will receive updates to the guide resulting from policy, procedure, or legislative changes. In addition to these updates, you will periodically receive Employer Bulletins. These bulletins are addenda and should be filed in the Employer Manual. The manual will also be available on the KTRS web site (www.ktrs.org).

THE ROLE OF THE EMPLOYER AND MEMBER

Employers provide a vital link between members and KTRS. As an employer, you forward member and employer contributions, report member earnings and service credit information, and disseminate information about KTRS to more than 93,000 members. Information you provide determines members' current service credit and retirement contributions and, thus, their future retirement benefits.

Because benefits from KTRS are based on service credit and contributions that you report, accuracy in reporting and payment is vital. KTRS's effectiveness in benefit administration rests largely on the reports you provide. Each employer should ensure that agency information (agency contacts, address and phone number) is up to date at all times. This will assure that the district receives updates to this manual and other important notices from KTRS.

RESPONSIBILITIES OF THE EMPLOYER

- Enroll all eligible employees in KTRS.
- Deduct retirement contributions from compensation paid to eligible members.
- Match the employee contributions and remit employee and employer contributions on forms prescribed by KTRS in a timely manner.
- Certify and submit all forms in a timely manner on behalf of the member at the request of the member or KTRS.
- Correct errors in prior reporting which are detected by the employer, the employee, or KTRS.
- Provide certification of member's previous employment and compensation for periods in which membership eligibility was in question.
- Advise and direct members regarding their KTRS status and benefit entitlement.
- Distribute KTRS information and material to members and all affected departments in your organization.
- Obtain clarifications of laws, regulations, and other information from KTRS in order to properly implement KTRS rules and procedures.

RESPONSIBILITIES OF THE MEMBER

- Complete membership and beneficiary forms.
- Review annual member statement.
- Advise KTRS of any errors in the Statement of Retirement Account.
- Advise KTRS of changes in name, address, Social Security number, beneficiary or other essential information.
- Plan for retirement by requesting estimates of retirement benefits and retirement application six months to one year prior to retirement and submitting all required forms prior to retirement.

GOVERNING STATUTES

(Chapter 161 of the Kentucky Revised Statutes, KRS 161.220 through 161.716)

The Kentucky Revised Statutes set forth the governing laws of the Kentucky Teachers' Retirement System. An unofficial version of these statutes may be viewed at the Legislative Research Commission website at www.lrc.state.ky.us. Additionally, KTRS periodically publishes an unofficial version of these statutes that is distributed to superintendents and school libraries. Be sure that any version that you consult is a current version as the General Assembly meets every year, making these statutes subject to annual amendment.

ADMINISTRATIVE REGULATIONS

(Title 102 of the Kentucky Administrative Regulations, 102 KAR 1:010 through 102 KAR 2:025)

The Kentucky Administrative Regulations are promulgated under the authority of the Kentucky Revised Statutes and likewise carry the force of law. These regulations contain important provisions for the administration of the retirement system.

BOARD POLICIES AND PROCEDURES

A nine-member Board of Trustees carries out the provisions of the Kentucky Teacher Retirement laws and regulations. Trustees include the Chief State School Officer (ex officio); the Kentucky State Treasurer (ex officio); and seven trustees who are elected by the active and retired members of KTRS. Of the seven elected trustees, four trustees are active members of the system, one trustee is a retiree, and two trustees are not members of the teaching profession. The board appoints the executive director, who is responsible for the administration of KTRS.

KTRS QUALIFIED PENSION PLAN STATUS

As a qualified pension plan subject to the Internal Revenue Code, Section 401(a), KTRS members receive the benefits of:

- tax-sheltering of mandatory retirement contributions in the year they are made to KTRS;

- deferral of income taxes on contributions until a member's retirement, at which time the member's effective tax rate may be lower; and
- tax-free accumulation of interest credited to each member's account.

To maintain the qualified pension plan status, KTRS must meet certain Internal Revenue Service requirements, including:

- annual benefit and contribution limitations,
- compensation that may be taken into account for benefit calculation purposes,
- benefit eligibility provisions,
- benefit distribution limitations, and
- rollover restrictions.

KTRS is dedicated to maintaining compliance with IRS requirements for qualified pension plans.

ADMINISTRATIVE REVIEW

(KRS 161.250(2)) Active contributing members, annuitants, and designated beneficiaries may appeal any decision by KTRS that materially affects the amount of their service retirement allowance, amount of service credit, eligibility for service or disability retirement, or eligibility for survivorship benefits, by requesting an administrative hearing pursuant to the provisions of KRS 161.250 (2) and Chapter 13B. Contact KTRS for more information about administrative reviews.

CONFIDENTIALITY

(KRS 161.585) All information contained in a member's record is confidential. This information is provided to the member upon request and to representatives of the member upon the member's written authorization. Information may also be provided to other state agencies subject to the Kentucky Revised Statutes. All medical records pertaining to a member are confidential and shall not be released unless authorized in writing by the member or unless otherwise specified by law.

KTRS provides information to and receives information from employers regarding an employer's active or retired members upon request. In order to protect vital member information, KTRS encourages employers to utilize a secure method of transmitting information via e-mail. Accordingly, it is KTRS policy to not send sensitive member information through e-mail unless there is a secured connection.

PUBLICATIONS

In addition to the *Employer Manual*, KTRS publishes the *Comprehensive Annual Financial Report*, a *Summary Plan Description*, a *KTRS Law Book*, and quarterly active and retired newsletters. KTRS also produces numerous brochures on a variety of benefit topics. Publications, forms, and general information are available by calling the KTRS Information Center at (800) 618-1687 or by visiting the KTRS web site at www.ktrs.org. Employers may e-mail KTRS at KTRS.info@mail.state.ky.us or call (888) 891-2696. Members may reach the Counseling Services Department by e-mail at KTRS.info@mail.state.ky.us or by calling (800) 618-1687.

Chapter

2

Membership

Member Defined

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Positions Covered by KTRS

Positions Not Covered by KTRS

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Third Party Employment Agencies Providing Substitute Teachers

Exchange and Foreign Teachers

Paid Leaves of Absence and Paid Exchange Leaves

Consultants and Independent Contractors

Members Covered by Medicare

Employees Covered by Social Security

Employees Covered by CERS or KERS

Re-employed KTRS Annuitants

Notification of Felony Conviction

EMPLOYER RESPONSIBILITIES

One of the most important responsibilities you have as an employer is to promptly enroll all employees who meet eligibility and membership qualification standards. You are legally obligated to enroll all employees who qualify for membership at the time of their employment (102 KAR 1:039).

KTRS membership is a mandatory condition of employment for all employees who meet the eligibility and membership criteria defined in statute. Only those who meet the membership criteria can become members. Neither the employee nor the employer has a choice regarding membership. A qualifying employee cannot reject membership; employees who do meet the criteria must choose membership.

MEMBER DEFINED

Kentucky Revised Statutes (KRS 161.220) and (KRS 161.612) define a member as any full-time teacher or professional occupying a position requiring certification or graduation from a four (4) year college or university as a condition of employment and who is employed by a KTRS employer. **Membership is mandatory for all employees in KTRS-covered positions.**

Effective July 1, 2002, the KTRS membership has expanded to include individuals occupying a position on a part-time or substitute basis. **This membership requirement does not apply to persons employed by a KTRS university employer.**

In addition, membership in the Kentucky Teachers' Retirement System also includes the commissioner of education, deputy commissioners, associate commissioners, and all division directors in the State Department of Education.

Employees who qualify as a KTRS member are deemed to consent to the deduction of KTRS contributions from their salary as a condition of employment.

KTRS employers are defined by law (KRS 161.220 4a-o) as:

- Local boards of education;
- Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Western Kentucky University, and any community colleges under the control of these universities;
- State-operated secondary area vocational education or area technology centers, Kentucky Schools for the Blind and Deaf;
- State Department of Education, Education Professional Standards Board, Kentucky Teachers' Retirement System;
- Regional Cooperation Educational organizations formed by local boards of education;
- Full-time staff members of Kentucky Association of School Administrators, Kentucky Education Association, Kentucky Vocational Association, Kentucky High School Athletic Association, Kentucky Academic Association, and the Kentucky School Boards Association;

- Department of Adult Education and Literacy;
- Department for Technical Education and Vocation Rehabilitation;
- Governor's Scholars Program;
- Kentucky Educational Collaborative for State Agency Children;
- Cabinet for Workforce Development; and the
- Kentucky Community and Technical College System.

MEMBERSHIP DATE

The effective date of membership in KTRS is the date of employment as recorded by you, the employer. If you have not recorded the date of employment, the date of membership is the first payroll day for which contributions are required. Membership in KTRS terminates when a member accepts a refund of KTRS contributions or dies.

ENROLLMENT AS A MEMBER

New members must complete a Membership Application (F-1) at the time of their employment. This form provides KTRS demographic and beneficiary information for the member. KTRS needs a completed membership application to establish an account for the member. This information is also vital in determining KTRS actuarial status.

Whenever a member wishes to change a previously designated beneficiary, he or she must complete a Designation of Beneficiary form (Form F-1C) and a Designation of Beneficiary for KTRS Life Insurance Benefit form (Form DB/1). Such a change may be necessary due to a change in the member's family status (e.g., marriage, birth, divorce, or death).

It is also important that members notify KTRS of changes in their address or name. Written notification is required from the member to accomplish such a change.

POSITIONS COVERED BY KTRS

To qualify for KTRS membership, employees must occupy a position that requires teacher certification or graduation from a four-year college or university. In general, these positions usually are included in the KTRS field of membership.

Position

School Superintendent
Director of Finance & Business
Director of Federal Programs
Director of Food Service & Nutrition
Director of Pupil Transportation
Director of Family Resource Center

Assistant or Deputy Superintendent
Director of Exceptional Children
Dean of Students
Director of Pupil Personnel
Director of District Personnel
Director of District-Wide Programs

CONTINUED . . .

Teachers' Retirement System of the State of Kentucky

School Health Coordinator
Instructional Coordinator
Instructional TV Coordinator
District Tech Coordinator
District Head Start Coordinator
School Psychometrist
Speech Therapist
School Social Worker
Other Central Office Positions
School Vice Principal
Guidance Counselor
Preschool Classroom Instructor
Primary Classroom Instructor
Middle School Classroom Instructor
Job Training Instructor
Chapter I Instructor Test
Homebound Teacher
Gifted & Talented Instructor
Memorandum of Agreement (MOA)

CATS Assessment Coordinator
Exceptional Child Coordinator
Professional Development Coordinator
Job Training Coordinator
Academic Program Consultant
School Psychologist
Central Media Librarian
Supervisor of Instruction
School Principal
Local Vocational School Principal
Media Librarian
Preschool Instruction Supervisor
Elementary Classroom Instructor
High School Classroom Instructor
Local Vocational School Instructor
Exceptional Child Instructor
Substitute Teacher
Gifted & Talented Coordinator
Migrant Advocate

In addition, these classified positions may require a four-year degree, which will require KTRS membership:

Position

Public Information Officer
Budget Coordinator
Registered Nurse
Head Start Coordinator
Chief Information Officer
Computer Programmer
General Counsel

Internal Auditor
Finance Officer
Speech Language Pathologist
Family Resource Center Coordinator
Systems Analyst
Human Resources Manager
Social Worker

Effective July 1, 2002, retirees may return to work under limitations set forth in the Kentucky Revised Statutes. These retirees will establish a second retirement account, which can be used to draw additional retirement benefits. (See Chapter 10, Post-Retirement Employment, for additional information.)

POSITIONS NOT COVERED BY KTRS

Individuals employed in the following positions at local school districts are not members of KTRS but may qualify for membership in the County Employees Retirement System (CERS). Employees in a position that either is not certified by the Department of Education (**See substitutes for exception to this rule.**) in Kentucky or does not require a four-year college degree are not covered by KTRS. For more information about individuals covered by CERS, consult the CERS Reporting Official Manual.

Individuals employed in non-KTRS positions by state agencies should be placed in the Kentucky Employees Retirement System (KERS). To learn more about the requirements of KERS, consult the KERS Reporting Official Manual or visit their web site (www.kyret.com).

Position

Administrators in a position not requiring a college degree

Nurse

Athletic Official

Bus Driver

Cafeteria Worker

Clerical Worker

Coach (unless performed by a full-time or part-time contractual teacher)

Secretary

Custodian

Home Educator/Parent Educator

Student Teacher

Mobility Instructor

Tutor (paid by parent or student)

Grounds Worker

Paraprofessionals

Physical Therapist Assistant

Psychologist Intern

Security Guard

Social Worker Intern

Student Worker

Teacher's Aide

Certified Adjunct Instructors

Vehicle Mechanic

SUBSTITUTES

Effective July 1, 2002, employees occupying a position as a substitute teacher are required to contribute to KTRS. Although some districts employ substitute teachers who do not have a four-year college degree, KTRS law requires the employer to withhold contributions on all substitute teachers. Substitute service credit is awarded based on days worked, using the same basis as full-time or part-time employees. Retirees occupying a substitute teaching position will also be required to contribute to KTRS. (For more information regarding retiree employment, see Chapter 10, Post-Retirement Employment.)

THIRD PARTY EMPLOYMENT AGENCIES PROVIDING SUBSTITUTE TEACHERS

Substitute teachers must be employed directly by the KTRS employers and all required KTRS contributions must be remitted to KTRS.

EXCHANGE AND FOREIGN TEACHERS

A teacher, who is from a foreign country, who has a certificate from Kentucky and was not admitted as an exchange alien, qualifies for KTRS membership if they perform the duties of a classroom teacher.

PAID LEAVES OF ABSENCE AND PAID EXCHANGE LEAVES

Only individuals on paid sabbatical leaves granted in accordance with the School Code may retain KTRS membership. Individuals on other paid leaves of absence, including paid exchange leaves, are not members of KTRS during the leave unless accumulated vacation, personal, or sick leave days are used. (Refer to Chapter 6, Service Credit, and Chapter 7, Purchases of Additional Service Credit.)

CONSULTANTS AND INDEPENDENT CONTRACTORS

An individual who contracts with you to provide services for which teacher certification is required qualifies as a KTRS member. Contributions on earnings are required even if the contract characterizes the individual as an "independent contractor." Paying an individual who qualifies as a KTRS member through accounts payable rather than through payroll does not exempt that individual from KTRS contributions.

Any individual claiming to be an independent contractor exempt from KTRS membership or the post-retirement employment limitations governing annuitants must file a written request with KTRS seeking confirmation of independent contractor status. KTRS must receive this request before an individual can be considered exempt from KTRS membership or the post-retirement employment limitations.

MEMBERS COVERED BY MEDICARE

All KTRS members hired after March 31, 1986, including retired KTRS members who teach, and all persons who change employers after March 31, 1986, are subject to the Medicare tax. Annexations and consolidations result in continuing employment; therefore, Medicare contributions are not required for members hired before April 1, 1986. The total Medicare tax is 2.9 percent of salary: As the employer, you pay 1.45 percent and the member pays 1.45 percent.

KTRS does **not** collect the Medicare tax. This tax is paid directly to the Internal Revenue Service.

EMPLOYEES COVERED BY SOCIAL SECURITY

Active and retired members of KTRS cannot contribute to Social Security on earnings covered by KTRS. The Social Security Administration considers annuitants of a retirement system as "covered" by the system. Retired KTRS members employed as substitute teachers also cannot contribute to Social Security.

Earnings that are not reportable to KTRS (*e.g.*, bus driving and teacher's aide) are subject to Social Security and may be reportable to the County Employees Retirement System (CERS). See the CERS Reporting Official Manual.

EMPLOYEES COVERED BY CERS OR KERS

Many employees of school districts are covered by the County Employees Retirement System (CERS), and you must contribute for those employees to that retirement fund. CERS members must also contribute to Social Security. Likewise, employees of state agencies who are not covered by KTRS are members of the Kentucky Employees Retirement System (KERS). Employers should consult the KERS and CERS Reporting Official Manual for more information.

If you employ an individual in a KTRS-covered position (*e.g.*, certificated teacher) for part of the school day and in a non-KTRS-covered position (*e.g.*, teacher's aide or secretary) for the remainder of the

day, report to KTRS earnings and service information for the portion of the day the individual is employed in the KTRS-covered position. Do not report to KTRS earnings or service information from the non-KTRS-covered position, but evaluate the noncovered position separately for possible CERS coverage.

RE-EMPLOYED KTRS ANNUITANTS

Effective July 1, 2002, KTRS employers are required to collect KTRS contributions from retired employees who are receiving an annuity from KTRS.

Each new re-employed retired member must complete a **Membership Application (F-1RET)**. This form provides KTRS demographic and beneficiary information for the retired member. Completion of this form also allows KTRS to establish a new account for the retiree. (See Chapter 10, Post-Retirement Matters, for information about post-retirement employment limitations.)

NOTIFICATION OF FELONY CONVICTION

Pursuant to KRS 161.470(5)(e), members of the retirement system who are hired on or after August 1, 2000, and who are convicted of a felony related to their employment, shall forfeit rights and benefits earned in KTRS, except for the return of their accumulated contributions and interest credited on those contributions. You should immediately notify the KTRS General Counsel of any felony conviction (or indictment) of one of your KTRS-covered employees who meets these conditions

Chapter

3

Annual Compensation

Annual Compensation Defined

Types of Annual Compensation

Salary for Regular Contractual Duties

Wages for Substitute and Part-time Employment

Extra Duty Earnings

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Extra Duties Not Requiring Certification But Related to the Academic Program

Extra Duty Earnings Flowchart

Summer School Earnings

Pre-term and Post-term Assignments

Wages While Using Vacation, Sick Leave, and Personal Days

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Payments Issued After a Member's Death

Contributions to Qualified Plans Eligible for Tax-Deferral

Salary Reduction Plans

Court Settlements and Back Pay Wages

Noncreditable Compensation

Summer School Performed Under a Separate Agreement

Positions Which Do Not Require

Certification or a Four-Year Degree

Extra Duties Not Requiring Certification

Bonus Payment to Distinguished Educators

Retirement Incentives

Benefits Not Available to Other Employees

Expense Reimbursements and Allowances

Compensation in Excess of Pension Plan Limits

Compensation Limited by KRS 161.220(9)

Accrual Reporting Requirements

Questions

EMPLOYER RESPONSIBILITIES

Employers should review this chapter and become knowledgeable as to what types of compensation are to be included as KTRS compensation. If a question arises concerning a payment not outlined in this Chapter, the employer should contact KTRS regarding the payment.

ANNUAL COMPENSATION DEFINED

(KRS 161.220 (10))“Annual compensation” means the total salary received by a member as compensation for all services performed in employment covered by the retirement system during a fiscal year. Annual compensation shall not include payment for any benefit or salary adjustments made by the public board, institution, or agency to the member or on behalf of the member which is not available as a benefit or salary adjustment to other members employed by that public board, institution, or agency. Annual compensation shall not include the salary supplement received by a member under KRS 158.782 on or after July 1, 1996. Under no circumstances shall annual compensation include compensation that is earned by a member while on assignment to an organization or agency that is not a public board, institution, or agency listed in Chapter 2 of this manual. In the event that federal law requires that a member continue membership in the retirement system even though the member is on assignment to an organization or agency that is not a public board, institution, or agency listed in Subsection 4 of this section, the member's annual compensation for retirement purposes shall be deemed to be the annual compensation, as limited by Subsection 9 of this section, last earned by the member while still employed solely by and providing services directly to a public board, institution, or agency listed in Subsection 4 of this section. The board of trustees shall determine if any benefit or salary adjustment qualifies as annual compensation.

In general, “annual compensation” is forms of compensation that are recognized by KTRS as salary for reporting and retirement purposes. KTRS accepts many, but not all, types of compensation.

Annual compensation is the basis upon which member contributions, employer contributions, and benefits are calculated.

TYPES OF ANNUAL COMPENSATION:

Reportable annual compensation includes (but is not limited to) the following compensation items for active KTRS members:

- Salary for Regular Contractual Duties
- Wages for Substitute and Part-time Employment
- Extra Duty Earnings
 - Contractual teachers: extra duties related to teaching or the academic program, or involving supervision of students
 - Noncontractual teachers: only extra duties requiring teacher certification
- Summer School Earnings
- Pre-term and Post-term Assignments

- Wages While Using Vacation, Sick Leave, and Personal Days
- Termination (Lump Sum) Payments
- Contributions to Qualified Plans Eligible for Tax-Deferral under the IRS Sections 401(a), 401(k), 403(b), and 457(b)
- Salary Reduction Plans
- Court Settlements and Back Pay Wages

1. Salary for Regular Contractual Duties

Annual compensation should include any salary received for services performed in a KTRS position. A KTRS position includes any position that requires certification from the Kentucky Department of Education or a position that requires a four-year degree.

2. Wages for Substitute and Part-time Employment

Effective July 1, 2002, the KTRS membership has expanded to include individuals occupying a position on a part-time or substitute basis. This membership requirement does not apply to persons employed by a KTRS University employer.

3. Extra Duty Earnings

KTRS guidelines for reporting extra duty wages vary depending upon the member's employment status.

- Full-time or part-time contractual teachers - Payments for extra duties that involve teaching or supervising students and other assignments related to the academic program are reportable as annual compensation, regardless of whether the extra duties require certification. This also applies to those who are contractual teachers at one district and perform extra duties at another district.

- Substitute or part-time noncontractual (hourly) teachers - If the Kentucky State Board of Education requires teacher certification for the extra duty, the wages are reportable to KTRS as annual compensation. If teacher certification is not required for the extra duty, the wages are not reportable to KTRS.

The Kentucky State Board of Education, not the individual employer or KTRS, determines whether a position or extra duty requires certification. Extra duties that do not involve teaching or supervising students and that are not related to the academic program are not reportable. Earnings for positions that are not reportable to KTRS (e.g., bus driver or teacher's aide) are subject to Social Security and may be reportable to the County Employee Retirement System (CERS). Consult the CERS Reporting Official Manual for specific guidelines.

Extra Duties Requiring Certification

Stipends or wages paid for these extra duty positions are reportable to KTRS for all active certified teachers, including substitute and part-time noncontractual (hourly) teachers. (See Chapter 2, Membership, for additional information regarding positions that qualify for KTRS membership.)

Acting Principal
Assistant Athletic Director
Assistant Band Director
Athletic Director
Band Director

Department Chairperson
Driver's Education Instructor
Exchange Program Coordinator
Guidance Counselor
Internal Substitution

Teachers' Retirement System of the State of Kentucky

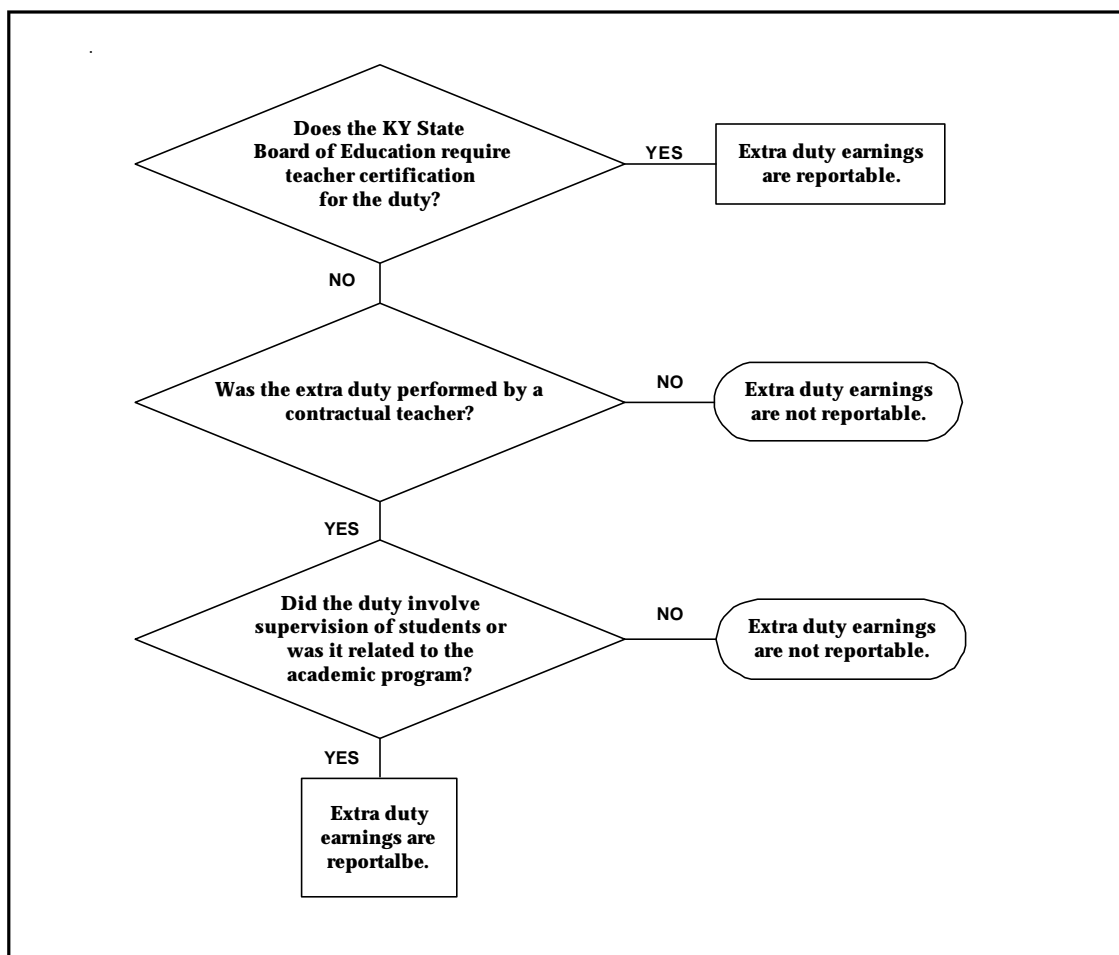
Building Trades Instructor	Jazz Band Director
Computer Lab Instructor (if during the school day)	Night Class Teacher
Concert Band Director	Test Supervisor (if during the school day)
Co-op or Work Study Coordinator	Tutoring (if during the school day)
Coordinator of Health/P.E.	Vocational Director
Homebound Teaching	

Extra Duties Not Requiring Certification but Related to the Academic Program

Stipends or wages paid for these positions and duties are reportable to KTRS for only full-time and part-time contractual teachers. These wages are not reportable for substitutes and part-time noncontractual (hourly) teachers.

Art Club Sponsor	Drama Club Sponsor
Audio Visual and Video Club Sponsor	FFA Sponsor
Bell Choir Sponsor	FHA Sponsor
Bleacher Bums Sponsor	Fitness Program Supervisor
Bowling Club Sponsor	Flag Squad Sponsor
Boys Club Sponsor	Food Service Program Manager
Bus Loading Supervisor	Forensics Sponsor
Bus Monitor	French Club Sponsor
Business Club Sponsor	German Club Sponsor
Chaperones for Dances and Bus Trips	Girls Club Sponsor
Yearbook Editor	Golf Club Sponsor
Cheerleading Sponsor	Hallway Supervisor
Chess Club Sponsor	Instructor at Teacher Institute
Chorus Sponsor	Intramural Sports Supervisor
Class Sponsor	Journalism Club Sponsor
Coach	Latin Club Sponsor
Concession Manager	Lifesaving Instructor
Curriculum Planning	Literary Club Sponsor
Debate Sponsor	Lunchroom Supervisor
Detention/Discipline Monitor	Math Honor Society Sponsor
Math Team Sponsor	Special Olympics
Mentor	Speech Club Sponsor
Music Production Director	Speech Judge
Music Production	Technical Dir. Student Council Advisor
National Honor Society Sponsor	Student Teacher Supervisor
Newspaper Sponsor	Study Hall Supervisor
Pep Club/Booster Club Sponsor	Supervisor of Students at School Events
Physical Activities	School Dir. Swim/Aquatics Club Sponsor
Playground Supervisor	TV News Service Director
Pompom Squad Sponsor	Technical Director of Musical Productions
Professional Development Committee Member	Theater Business Manager
Spanish Club Sponsor	Ticket Taker*
Prom Sponsor	Timekeeper*
Registration Worker	Twirler Club Sponsor
Safety Patrol	Usher
Scholastic Bowl Sponsor	Writers Club Sponsor
Science Club Sponsor	Yearbook Business Advisor
Scorekeeper*	

* Reportable as annual compensation provided that the member is responsible for supervising students while performing these duties.

Extra Duty Earnings**4. Summer School Earnings**

Summer school earnings must be examined with the member's employment type and status. Summer school earnings are reportable if they are part of or in addition to the teacher's employment agreement. If a teacher who has established a contract for the fiscal year works summer school, then KTRS contributions should be withheld from the compensation. The length of a teacher's employment agreement or contract is the deciding factor for reporting summer earnings to KTRS. As the employer, you must report to KTRS salary and service information for work performed during the legal school term or length of a teacher's employment agreement (whichever is greater) for teaching, supervising students, and other assignments that are related to the academic program.

For example: Teacher G's contract for the 2001-02 school year included the 185-day school term plus six weeks of summer school. Teacher G's regular school term contract was extended in writing to include the summer months. Two-week summer school sessions were held in June, July, and August 2002. He earned \$25,000 during the school term and \$1,000 per week for summer school. Teacher G did not have a contract for FY 2002-03.

Report summer school earnings earned through June 30, 2002, as annual compensation on the Employer's Annual Report of Earnings form for the 2001-02 school year. Do not report summer school earnings in July and August 2002 since the teacher did not have a contract with the employer for this year.

5. Pre-term and Post-term Assignments

When a teacher begins working immediately before the regular school term or continues working immediately after the regular school term, the pre-term or post-term wages are reportable to KTRS as annual compensation if the member was under contract. In situations where a teacher's nine-month (school term) work cannot be completed in the regular school term and continues into the summer months, the teacher is considered to have an extended contract, and the post-term earnings are reportable to KTRS.

6. Wages While Using Vacation, Sick Leave, and Personal Days

Wages received while using vacation, sick leave, and personal days are subject to KTRS contributions.

7. Termination (Lump sum) Payments

Lump-sum payments (annual leave, comp leave, and sick leave) that are paid or due and payable prior to or concurrent with the receipt of the member's final paycheck for regular earnings or prior to the member's last day of work are reportable as annual compensation.

Payments Issued After a Member's Death (KRS 161.155 (9))

After July 1, 1982, at the time of retirement or upon the death of a member in active contributing status at the time of death who was eligible to retire because of service, a district board of education may compensate a beneficiary for each unused sick leave day. The rate of compensation for each unused sick leave day shall be based on a percentage of the daily salary rate calculated from the employee's or teacher's last annual salary, not to exceed thirty percent. Payment for unused sick leave days shall be incorporated into the annual salary of the final year of service if the member makes the regular retirement contribution for members on the sick leave payment. The accumulation of these days includes unused sick leave days held by the employee or teacher at the time of implementation of the program.

8. Contributions to Qualified Plans Eligible for Tax-Deferral Under IRS Sections 401(a), 403(b), and 457(b)

Members contributing to tax-sheltering plans should include this amount as KTRS annual compensation. For example, if a member earns \$30,000 and contributes \$3,000 to a 457(b) plan, his taxable earnings for the IRS would be \$27,000 while the KTRS annual compensation would be \$30,000.

9. Salary Reduction Plans

Under a salary reduction plan, the member may choose either:

- nontaxable benefits, the cost of which is deducted from the member's salary. As a result, the member's taxable income is reduced by the same amount; **OR**
- none of the benefits, effectively receiving cash.

Salary reduction plans are considered to have a cash option for KTRS reporting purposes. The annual compensation reported to KTRS must include the amount of gross wages before any benefit deductions.

Example:

Teacher A and Teacher B both have \$20,000 salaries. Teacher A chooses to have \$1,500 deducted from her salary to pay for family insurance coverage. Teacher B selects none of the possible benefits.

	Teacher A	Teacher B
Base salary	\$20,000	\$20,000
Tax-sheltered medical insurance	- 1,500	- 0
IRS taxable income	\$18,500	\$20,000
KTRS creditable earnings	\$20,000	\$20,000

10. Court Settlements and Back Pay Wages

When a KTRS-covered employer and member enter into a settlement agreement or contract buyout to resolve a disputed action or other employment issue, the member's annual compensation and service credit may be impacted by the terms of the agreement. KTRS must review each settlement agreement to determine the amount of annual compensation and service credit that can be recognized.

NONCREDITABLE COMPENSATION:

The following compensation items do not qualify as annual compensation and must not be reported to KTRS:

- Summer School Performed Under a Separate Agreement
- Positions Not Requiring Certification or a Four-Year Degree
- Extra Duties Not Requiring Certification
- Bonus Payment to Distinguished Educators
- Retirement Incentives
- Benefits Not Available to Other Employees
- Expense Reimbursements and Allowances
- Compensation in Excess of Pension Plan Limits
- Compensation Limited by KRS 161.220(9)

1. Summer School Performed Under a Separate Agreement

Summer school employment by itself does not constitute withholding of KTRS contributions. Summer school should only be reported if the member has been employed under a contract for that particular fiscal year.

2. Positions Not Requiring Certification or a Four-Year Degree

Stipends and wages paid for these duties are not reportable to KTRS. (See Chapter 2, Membership, for additional information regarding positions that do not qualify for KTRS membership.)

Asbestos removal	Custodial or maintenance work
Bus driving	Noncertified administrative positions
Cafeteria work	Scorekeeping, timekeeping, ticket taking, and
Clerical assignments in business office	security at school events if the duties do not
Computer hardware and software maintenance	involve supervision of students
	Teacher's Aide

3. Extra Duties Not Requiring Certification

Extra duties not requiring certification but related to the academic program are not reportable as annual compensation for substitutes and part-time noncontractual (hourly) teachers. NOTE: These would be reportable for contractual members.

4. Bonus Payment to Distinguished Educators

The bonus payment made to participants in the Kentucky Distinguished Educator Program cannot be included in annual compensation for KTRS purposes. The compensation subject to KTRS contributions is determined by dividing 185 days into an employee's base salary and multiplying the daily rate by the number of total days in the extended employment period, which would normally be 240 days.

5. Retirement Incentives

Retirement incentives are not reportable as annual compensation for KTRS purposes. Employers who pay retirement incentives are obligated to make full payment to the retirement system at the time a member retires for all actuarial obligations that occur to the retirement system because of retirement incentive payments.

6. Benefits Not Available to Other Employees

Annual compensation should not include payment for benefits which are not available to others employed by the same district. For example, if a board provides a car or insurance that is not available to others in the district, then this benefit is not allowed as KTRS annual compensation. Other benefits might be dental insurance and additional disability, life, and health insurance.

7. Expense Reimbursements and Allowances

Annual compensation should not include any expense reimbursements or allowances such as:

- Moving expenses;
- Travel reimbursements and allowances;
- Automobiles provided by the employer;
- Membership dues;
- Publication subscriptions;
- Dependent care reimbursements;
- Medical care reimbursements;
- Tuition reimbursements; and
- Legal fee reimbursements.

8. Compensation in Excess of Pension Plan Limits

Compensation that would violate qualified pension plan requirements are not allowed as annual compensation. The earnings limitations are required only for employees establishing KTRS membership after June 30, 1996. These limitations are:

1996-97 - \$150,000	2000-01 - \$170,000
1997-98 - \$160,000	2001-02 - \$170,000
1998-99 - \$160,000	2002-03 - \$200,000
1999-00 - \$160,000	

KTRS will inform you when the compensation limit changes.

9. Compensation Limited by KRS 161.220(9)

The board of trustees approves a final average salary based upon the average of the three highest or five highest annual salaries depending on their retirement conditions. However, if any of the five or three highest annual salaries used to calculate the final average salary was paid within the three years immediately prior to the date of the member's retirement, the amount of salary to be included for each of those three years for the purpose of calculating the final average salary shall be limited to the lesser of:

- (a) The member's actual salary; or
- (b) The member's annual salary that was used for retirement purposes during each of the prior three years, plus a percentage increase equal to the percentage increase received by all other members employed by the public board, institution, or agency, or for employees of school districts, the highest percentage increase received by members on any one rank and step of the salary schedule of the school district. The increase shall be computed on the salary that was used for retirement purposes. This limitation shall not apply if the member receives an increase in salary in a percentage exceeding that received by the other members, and this increase was accompanied by a corresponding change in position or in length of employment. This limitation shall also not apply to the payment to a member for accrued annual leave or accrued sick leave which is authorized by statute and which shall be included as part of a retiring member's annual compensation for the member's last year of active service.

ACCRUAL REPORTING REQUIREMENTS

Since each school district and KTRS has a fiscal year that begins on July 1 and ends June 30, the salary paid each KTRS member for work performed during this period must be reported on each year's Employer's Annual Report of Earnings. When a summer assignment begins in June and continues into July, the related earnings must be reported in the appropriate fiscal years, regardless of when payment is actually issued to the teacher.

Example:

A teacher has an extended contract that includes a 20-day summer school session for which she receives \$1,000 on August 1. Summer school begins the last week of June and ends the third week of July. The \$250 accrued earnings for five days worked in June must be reported as creditable earnings for the school year ended June 30. The remaining \$750 earned in July must be reported as creditable earnings in the school year beginning July 1.

Earnings associated with prior years should not be forwarded with current year contributions. An Adjustment to Prior Year form should be completed and forwarded to KTRS with appropriate documentation when a change is necessary.

Questions

If you have questions about annual compensation to be reported to KTRS, please contact the Accounting Department by telephone at (888) 891-2696 or by e-mail at KTRS.info@mail.state.ky.us. Please feel free to call KTRS concerning whether or not a member's compensation is reportable.

Chapter

4

Payment of Required Contributions

Distribution of Member and Employer Contributions

Member KTRS Retirement Contributions

Employer KTRS Retirement Contributions

**Employer KTRS Contributions on
Salaries Paid from Federal Funds**

Medical Insurance Contribution

Life Insurance Contribution

Distribution of Member and Employer Contributions

Timely Submission of Contributions by Employers

Contributions Schedule

Penalty for Late Payments

Suggestions for Remitting Timely Contributions

Manner of Remitting Contributions to KTRS

How the Electronic Funds Transfer (EFT) System Works

Setting Up the EFT System

EFT Advantages

**KTRS Employer Remittance Report for
Matching Contributions**

Escrow and Matching Report

Pick-up of Employee Contributions

Salary Schedule Reduction

EMPLOYER RESPONSIBILITIES

Employer should ensure that the correct member and employer contributions are remitted to KTRS in a timely manner. Contributions for prior periods are remitted separately from current year contributions along with proper documentation explaining the correction. Quarterly KTRS escrow and matching contribution reports sent to employers are promptly reviewed for accuracy. Remittance Reports for Employee and Employer Matching Contributions (Form R-I) should be accurately completed and should agree with the checks sent to KTRS.

DISTRIBUTION OF MEMBER AND EMPLOYER CONTRIBUTIONS

CONTRIBUTION TYPE	07-01-02 Through 06-30-03	After 07-01-03
MEMBER KTRS Contribution Rate	9.855%	9.855%
MEMBER KTRS Retirement Portion	9.105%	9.105%
MEMBER Medical Insurance Portion	0.75%	0.75%
EMPLOYER KTRS Contribution Rate	13.105%	13.105%
EMPLOYER Medical Insurance Contribution	3.0%	2.05%
EMPLOYER Life Insurance Contribution	.75%	.69%
EMPLOYER KTRS Retirement Contribution	9.355%	10.365%

MEMBER KTRS RETIREMENT CONTRIBUTIONS

(KRS 161.540 and 161.420(5))

Member retirement contributions are 9.855 percent of total creditable earnings.

Effective July 1, 2002, the KTRS membership expanded to include part-time employees, substitutes, and retired KTRS members who return to work. Retirement contribution rates for these new groups are the same as full-time active members (9.855%).

EMPLOYER KTRS RETIREMENT CONTRIBUTIONS

(KRS 161.550, 161.420 (5), KRS 161.420(10)) KTRS-covered employers and the State of Kentucky share employer contributions for KTRS members. Employer contribution rate for non-university members is 13.105%.

Each participating KTRS employer pays the employer matching contributions directly to KTRS. Employer matching contributions for local school district employees are paid by the Kentucky Department of Education directly to KTRS on a monthly basis. However, school districts are required to remit matching contributions on those school district employees whose salaries are paid by federal monies.

EMPLOYER KTRS CONTRIBUTIONS ON SALARIES PAID FROM FEDERAL FUNDS (LOCAL SCHOOL DISTRICTS ONLY)

(KRS 161.555) Since each KTRS employer directly remits the employer matching contributions to KTRS, this law applies only to local school districts. If any portion of a member's salary is paid from federal funds administered by the local school district, then the employer pays KTRS an employer contribution equal to 12.305 percent of the salary paid from federal funds, including stipends and substitute pay. **Effective July 1, 2004, the employer contribution rate for members in positions established under educational acts established by the federal Congress will increase to 13.105 percent.** Examples of programs paid from federal funds include, but are not limited to:

- Title I, Title II and Title IV Program
- 89-313 Special Education or 94-142 Federal Flowthrough
- Carl D. Perkins Vocational Education Act
- Goals 2000
- Juvenile Justice
- Title II - Eisenhower - Math/Science
- Workforce and Migrant Grants

MEDICAL INSURANCE CONTRIBUTION

(KRS 161.420 (5)) All active KTRS members, including substitute, part-time, and retired teachers are required to make contributions toward the cost of health benefits. The members' KTRS Medical Insurance Fund contribution is 0.75 percent of their annual KTRS compensation. This contribution is included in the 9.855% contribution withheld from a KTRS member's salary.

The KTRS actuary reviews the contribution rates annually; therefore, amounts allocated to the KTRS MIF fund may change each fiscal year. (See chart on page 2.)

LIFE INSURANCE CONTRIBUTION

(KRS 161.420(10)) Also included in each employer contribution is a payment for a KTRS life insurance benefit. The allocations to the life insurance fund are reviewed annually by the KTRS actuary and may change periodically. (See chart on page 2.)

DISTRIBUTION OF MEMBER AND EMPLOYER CONTRIBUTIONS

Contribution Type	07-01-02 Through 6-30-03	After 7-01-03
Member KTRS Contribution Rate	9.855%	9.855%
Member KTRS Retirement Portion	9.105%	9.105%
Member Medical Insurance Portion	0.750%	0.750%
Employer KTRS Contribution Rate	13.105%	13.105%
Employer Medical Insurance Contribution	3.000 %	2.050%
Employer Life Insurance Contribution	.750%	.690%
Employer KTRS Retirement Contribution	9.355%	10.365%

TIMELY SUBMISSION OF CONTRIBUTIONS BY EMPLOYERS

(KRS 161.560 and 102 KAR1: 210) All contributions must be remitted to KTRS no later than fifteen days following the end of each payroll period. KTRS mails each employer a payroll calendar (Form R-15) before the beginning of a new school year. When you receive this form, circle the dates when retirement contributions will be deducted from the KTRS-covered employees' salaries for the coming school year. Return the form to KTRS by the due date and keep a copy for your files.

The dates you indicate on the payroll calendar are used by KTRS personnel to verify timely remittances by KTRS employers. If any pay dates change, contact the KTRS Accounting Department immediately to avoid a potential penalty.

CONTRIBUTIONS SCHEDULE

Deposits from each employer for the KTRS member and employer contributions and installment payments are due 15 calendar days after the date KTRS members are paid. All contributions for the school year ending June 30 are due by **July 15**.

Contributions that are not received by the due date will be assessed late payment penalties that are payable by the employer within 30 days of receipt of the late contributions. Penalties will be assessed on late payments regardless of the remittance method used.

PENALTY FOR LATE PAYMENTS

Past due payments of KTRS member and employer contributions will be assessed a penalty equal to 1 percent of the late payment. After an employer receives a late payment penalty notice, they have thirty days to pay the penalty. If the late penalty is not received within this thirty-day period, then an additional penalty will be levied.

By law, July 15 is the last day to deposit contributions for the previous fiscal year. Contributions KTRS receives after July 15 are subject to the late-payment penalty.

SUGGESTIONS FOR REMITTING TIMELY CONTRIBUTIONS

To avoid a late-payment penalty, follow these guidelines:

- Sign up for the KTRS EFT program and make the transfer at least one banking business day before the due date.
- Mail your remittances five to seven days before the due date to allow for mailing delays. Do not mail contributions or payments via certified mail.
- Use the appropriate form for the contributions you are remitting.
- If you choose to use a courier service, contact the KTRS Accounting Department for the proper address to use. Be aware, however, that using this method could result in delays in the processing (deposit) of your contributions.

MANNER OF REMITTING CONTRIBUTIONS TO KTRS

Employers currently may remit contributions and payments to KTRS by either electronic funds transfer (EFT) or check. Regardless of the payment method, the due dates, late-payment penalties, and bills and statements you receive for verification and reconciliation are the same.

HOW THE ELECTRONIC FUNDS TRANSFER (EFT) SYSTEM WORKS

You can remit contributions and payments to KTRS electronically via the EFT system using the Automated Clearing House (ACH) debit method. The ACH is a funds transfer system that facilitates the electronic transfer of funds from one bank account to another between unrelated financial institutions.

Using EFT, you can remit employer contributions as well as installment payments to KTRS. If you elect to remit using EFT, all of these contributions and payments must be remitted to KTRS using this method.

SETTING UP THE ELECTRONIC FUNDS TRANSFER (EFT) SYSTEM

You will need to contact your bank about setting up the EFT. You will be required to know KTRS' banking information, such as routing number and account number. This information is obtained by ~~either calling our toll free number 888-891-2696 or by e-mailing~~ KTRS.info@mail.state.ky.us.

EFT ADVANTAGES

Although EFT remittance is not required yet, it will be soon. You will find EFT offers several advantages over check remittance:

- Peace of mind - EFT assures that we receive your payments on a timely basis with no risk of your payment being lost in the mail.
- Cost Reduction - EFT eliminates costs for generating checks and postage.
- Control - EFT gives you control over when your bank account is debited.
- No more penalties - If you do the EFT before the due date, you avoid penalties caused by postal delays. This allows you maximum use of your funds while ensuring that KTRS receives payments by the due dates.

KTRS EMPLOYER REMITTANCE REPORT FOR EMPLOYEE AND EMPLOYER MATCHING CONTRIBUTIONS (FORM R-1)

If you remit contributions by check, KTRS will mail you preprinted "Employer Remittance Report for Employee and Employer Matching Contributions" forms for each pay period in the coming school year. (The pay periods are determined by the dates you indicated on the pay period schedule form you returned to KTRS.) The remittance forms are preprinted with the fiscal year, employer number, and employer name.

Use these contribution forms when paying KTRS member and employer contributions.

Total 9.855 percent member contributions are recorded in Column 1. Employee contributions for employees paid with federal funds are reported in Column 2. Employer's 12.305 percent contributions on salary paid to members from federal funds are recorded in Column 3 (Note: Effective July 1, 2004, this percentage will increase to 13.105). Penalties paid on late contributions should be documented in Part C of the form. All columns and rows should be filled in correctly. Forms with totals only are not accepted.

ESCROW AND MATCHING REPORT

Every three months KTRS mails each employer a statement of contributions received by KTRS. Please review these statements carefully and contact the KTRS Accounting Department (888-891-2696) if you have any questions. Keep each quarterly statement and use them when you complete the Employer's Annual Report of Earnings.

The statement "Escrow and Matching Report" shows the KTRS member and employer contributions received for the fiscal year to date. (Please refer to Chapter 8 for specific information regarding the Installment Payments through Payroll Deduction Program.)

PICK-UP OF EMPLOYEE CONTRIBUTIONS

Kentucky law requires you to pick up on a before-tax basis the entire 9.855 percent KTRS member contribution. As a result, the 9.855 percent contribution is treated as employer contributions under the Internal Revenue Code and is **excluded** from the member's taxable income.

However, these contributions are considered salary and are to be included in the member's salary rate when reported to KTRS. Creditable earnings should always include KTRS contributions. Taxable earnings exclude KTRS contributions.

SALARY SCHEDULE REDUCTION

Under this method, creditable earnings are equal to the salary schedule amount. You withhold the 9.855 percent member contributions from the member's salary and remit the contribution to KTRS. Taxable earnings are the creditable earnings less the retirement contribution.

Example:

Salary schedule	\$ 10,000.00
Annual Compensation	\$ 10,000.00
KTRS member contribution	X .09855
Contribution amount to be remitted	\$ 985.50
Taxable earnings:	
Creditable earnings	\$ 10,000.00
Less 9.855 percent contribution	<u>- 985.50</u>
Taxable earnings	<u>\$ 9,014.50</u>



Chapter

5

Employer's Annual Report of Earnings

Annual Report Forms

Deadline for Submission of Data

Information Fields on the Computer-Generated Disk

Auditing the Employer's Annual Report of Earnings

Employer's Prior Year Adjustments to Earnings

Annual Report Examples

Input Record Layout

*****Last Updated May 20, 2004*****

EMPLOYER RESPONSIBILITIES

One of the most important responsibilities you have as an employer is to report the earnings of each KTRS member. The Employer's Annual Report of Earnings provides the information necessary to establish and record earned service credit, salary rates, creditable earnings, and contributions for members. The integrity of each member's retirement record depends upon the accuracy of this report. The report also provides the information necessary to prepare the Statement of Retirement Account.

Over 200 school districts and other educational agencies employ KTRS members. These employers have significant responsibilities for providing information and contributions to the System.

Employers provide a vital link between members and the System. They forward member and employer contributions, report teacher earnings and service, and disseminate information to the System and employees. Information provided by employers determines members' current retirement contributions and thus, their future retirement benefits.

In compliance with KTRS requirements, every KTRS employer is required to file an annual report (KRS 161.560). The purpose of the Annual Report is to achieve these main goals:

- The total monies submitted throughout the year agree with contributions reported on the Annual Report;
- Current service credit awarded to members is accurate;
- The information on the Annual Report agrees with various applications submitted during the fiscal year;
- Membership applications have been received for each contributing member; and
- Member's names and addresses are up-to-date.

ANNUAL REPORT FORMS

The year-end Annual Report forms must include the name, social security number, number of days worked, total KTRS contributions, and other information such as contract days, contract salary, and matched contributions. The necessary forms and instructions for completing the Employer's Annual Report of Earnings are mailed in June to each KTRS employer. All reports must be returned to KTRS. If no one is reported on a form, please write "None" on the form and return. The following forms are an integral part of the Annual Report and must be completed to comply with KTRS regulations:

Annual Report Reconciliation Sheet (Form R-2)

The Annual Report Reconciliation Sheet serves to reconcile member and employer contributions with the total amounts transmitted by the reporting unit during the fiscal year on R-1s (Employer's Remittance Report see Chapter 4). Contributions sent during the fiscal year must balance with the amounts on the district/agency's Annual Report. The district superintendent/Agency Head must certify the accuracy and completeness of the Employer's Annual Report of Earnings.

Missing Data Report (If Applicable)

This report lists individuals who do not have current names, addresses, or membership applications on file. Employers are asked to provide KTRS with the necessary information to ensure that members receive annual statements.

Refunds/New Retirees for the Fiscal Year (If Applicable)

This report lists accounts of members who were refunded or who retired during the fiscal year. The employer is asked to review these accounts and verify that the amounts on this report agree with the annual report.

Retiree Employment Report (Form 30)

This report shows employees of your agency who are also retired members of KTRS who are working under the 100-day program. It does not matter whether the retiree occupies a position covered by KTRS, CERS, or KERS. This report should also include each retiree's date of employment. Please do not report retired members in the full-time, part-time or critical shortage return to work programs.

Escrow and Matching Report through May 31

This report shows all amounts received during the fiscal year from KTRS employers. It should be used when completing the reconciliation to determine if money is due or is refundable.

Acknowledgement Report (Form R-6)

This form is used to notify KTRS that the employing unit received the annual report package. Please sign and return the acknowledgement receipt to KTRS as soon as the Annual Report package is received. You may e-mail the responsible KTRS party identified on the cover letter in lieu of mailing the Form R-6.

Computer-Generated Disk/KY Transfer

In addition to the forms listed above, you must also submit the annual report via KY transfer or mail a computer disk with a detail record for all KTRS members working in a KTRS position. (Please see the Input Record Layout at the end of this Chapter) If an employer wishes to send the information electronically, he/she should contact the KTRS Information Technology Section at 502-848-8580.

DEADLINE FOR SUBMISSION OF DATA

Instructions are included to assist the reporting unit in preparing the forms properly. If you have any problems or questions please contact KTRS immediately. The employer must complete the Annual Report and return it to KTRS by the date indicated on the cover letter. **Legislation allows KTRS to penalize employers up to \$1,000 if the annual report is not promptly submitted in accordance with KTRS requirements.**

INFORMATION FIELDS ON THE COMPUTER-GENERATED DISK

The information on the computer-generated disk should include only earnings for the current fiscal year. Any corrections that are necessary after you have filed the annual report can be made by filing a letter with KTRS stating the reason(s) for the correction along with documentation of the correct record. (See Employer's Prior Year Adjustments to Earnings section.)

The fields to complete on the computer-generated disk are:

- 1. Social Security Number**

The social security number of each member who had KTRS earnings for the current fiscal year must be reported.

2. **Duplicate Record Code**

This must be completed for each record. Many members will have more than one record and a separate code must be entered for each record. Do not include "days paid" information in "2" or "3" records. The codes are:

(Leave Blank) = Full-time

- Employed in a KTRS-covered position
- Employed for five days per week for 7.5 hours (Monday through Friday)
- Has an employment agreement to work a specified period of time
- Has an established annual salary rate

0 or 1 = Can be used to report days paid information for employees paid at multiple pay rates

- Employed in a KTRS-covered position

P = Part-time contractual

- Employed in a KTRS-covered position
- Employed less than full time
- Has an employment agreement to work a specified period of time
- Has an established annual salary rate

H = Part-time noncontractual (hourly or daily)

- Employed in a KTRS-covered position
- Paid on an hourly or daily basis
- Doesn't have an established annual salary rate (e.g., homebound teacher or tutor)

S= Substitute

- Employed in a substitute position
- Employed as temporary replacement of another teacher, regardless of the length of employment or rate of pay

2-6 = Extra Duties

- Extra duties should always be in a separate record
- No days worked should be associated with extra duties
- Doesn't have an established annual salary rate

7 = Comp and Annual Leave Payments

8 = Sick Leave Payments

3. **Retirement Contributions**

Please complete this field for all members with current year earnings. The amount indicated in this field is equal to 9.855 percent of the retirement earnings. IRS regulations require this amount is excluded from federal and state taxable income of the member.

4. **Total number of days paid**

Please complete the number of days worked for each member.

Employees working on part-time and hourly time periods must be converted to equivalent full days. For example, divide the number of hours worked by 7.5 hours to determine the percentage employed. Then multiply the number of days worked by the percentage employed.

If a member works 5 hours a day for 185 days then he/she has worked an equivalent of 123.95 full days. ($5/7.5 = .67 \times 185 = 123.95$ days).

Report the total number of days, Monday through Friday, during the school term or employment agreement, if longer, for which the member performed duties requiring

certification. Do not include days paid outside the normal employment contract such as:

- Unpaid snow days
- Days during which only extra duties not requiring certification were performed
- Unpaid holidays and vacations
- Saturdays, unless the day qualifies as a day of service and the service was required due to a lawful day of attendance
- Days paid by lump sum but not worked, such as accumulated vacation and sick days or contract buy-outs
- Paid leaves of absence

Remember, credit is granted for each day or partial day worked. Please convert partial days to full day equivalents as described above.

5. **Contract Days**

The contract days are the total number of days in an employment contract. A minimum of 185 days must be reported in this field. If someone starts after the beginning of their contract or leaves before the end of their contract, 185 days must be reported in this field.

6. **Contract Salary**

Please complete for all members:

For full time employment (*Leave Blank*):

The contract salary should reflect what would have been earned if the member worked their normal schedule, (with no dock days), for the entire school term.

For part-time contractual employment (type P):

The contract salary must be converted to an equivalent full-time salary.

For hourly noncontractual employment and substitutes (types H and S):

The contract salary for noncontractual types should be the daily dock rate times the required contract days, which normally is 185 days. The contract salary should be equivalent to a full contract year.

7. **Matching Contributions**

For local school districts, this field must be completed for members who are paid from federal funds. The amount indicated in this column is equal to 12.305 percent of federal salary paid in FY 2002-2003 and 2003-2004. Effective July 1, 2004 the matching rate for school districts increases to 13.105 percent for members paid from federal funds. State and non-state agencies are responsible for matching the full salary paid to KTRS members. The rate state and non-state agencies pay is 13.105%.

8. **Matching Salary**

For local school districts, this is the amount of salary actually paid from federal funds. State and non-state agencies match the full salary paid. State and non-state agencies should report the full amount of salary a member earned. Matching salary may **not** be greater than a member's contract salary.

9. **Extra Duties**

Extra Duties should always be reported in an extra record. These should be indicated

with a payment type of "2-6". Employers should report zero days paid and zero contract days associated with extra duties. The contract salary field should be the amount paid for extra duties to the member. For assistance in computing any of these fields please contact KTRS at (888) 891-2696.

AUDITING THE EMPLOYER'S ANNUAL REPORT OF EARNINGS

After the reporting unit returns the Annual Report package, the KTRS Department of Information Technology verifies the Annual Report information. Exception reports are produced that are compared to the Annual Report to ensure that district totals agree. The Annual Report is also compared to current year contributions listed on refund and retirement applications. KTRS staff research, explain, and resolve differences so that the Annual Report or refund and retirement applications can be corrected. Communication between KTRS and employers is essential. It is greatly appreciated that you respond in a timely manner. Changes will not be made to the report without the employer's consent.

EMPLOYER'S RESPONSIBILITIES

It is very important that employers do not send sensitive member information through e-mail. In order to protect vital member information, KTRS encourages employers to utilize a secure method of transmitting information via email. Accordingly, it is KTRS policy to not send sensitive member information through email unless a secured connection is achieved.

KTRS has established September 1 as the completion date for the annual report process. When the Annual Report has been balanced, KTRS prepares the reporting unit's final report package, including one copy of the balanced Annual Report and the Employer's Annual Contributions Reconciliation Report (Form R-5). The Form R-5 provides information reflecting adjustments made to the reporting unit's original Annual Report and remittances received after submission of the Annual Report. Employers are urged to review each report extensively. The school district's superintendent or an authorized agency representative must sign the Form R-5 to acknowledge that adjustments were made with the reporting unit's knowledge and cooperation.

Approximately two weeks after the annual report process has been completed, KTRS will send a Statement of Retirement Account to each member who has a correct address on file with KTRS. Corrections to the Annual Report received after September 1 will be reflected on the member's statement for the following year.

EMPLOYER'S PRIOR YEAR ADJUSTMENTS TO EARNINGS

If corrections are necessary after posting members contributions, please complete the Prior Year Adjustments to Earnings form. In addition, this form must also be used to correct past years. Retain a copy of the completed form for district records. Return the original to the KTRS. KTRS will review and notify the employer if contributions are due or refundable.

Questions

If you have any questions about any of the forms or reports discussed in Chapter 5, please contact the Accounting Department at (888) 891-2696.

ANNUAL REPORT EXAMPLES

FULL-TIME TEACHER

If the teacher was full-time but was employed for less than the entire school term or was docked, total number of days paid should reflect only the actual time worked. The Contract Salary should reflect the amount the teacher would have earned had he or she worked the entire term. Any extra duties should be reported in a second record.

Teachers employed for the school term are frequently paid over 12 months. When a nine-month teacher has his or her salary paid over a period longer than the school term, you must report salary earned during the school term rather than salary paid. When the teacher's employment agreement is longer than the school term, the salary rate reported must reflect the rate for the fiscal year beginning July 1 and ending June 30.

EXAMPLE 1: FULL-TIME TEACHER – EMPLOYED ON A FULL-TIME BASIS

Teacher A worked full time in a 185-day position for an annual salary of \$40,000. Teacher A worked every day in the contract. Teacher A also was the girls' basketball coach earning \$3,000 as an extra duty.

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher A		3942.07	185	185	40000	216.22		
000-00-0000	Teacher A	2	295.65			3000			

EXAMPLE 2: FULL-TIME TEACHER - EMPLOYED PARTIAL YEAR WITH EXTRA DUTIES

Teacher B worked full-time in a 185-day position for only 89 days. Her annual salary was \$40,000 with a daily rate of \$216.22. Teacher B was also the girls' basketball coach. The annual coaching stipend was \$3,000, of which she earned \$1,500.

Annual salary rate:

Base rate \$ 40,000.00
Basketball coach 3,000.00

Creditable earnings:

Base earnings: $\$40,000 \div 185 \times 89 = \$19,243.58$
Basketball coach 1,500.00
Total earnings \$20,743.58

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher B		1896.45	89	185	40000	216.22		
000-00-0000	Teacher B	2	147.82			1500			

Example 3: Full-time teacher - paid over 12 months

Teacher C contracted to teach a 185-day position. She actually earned her \$40,000 salary during the 185-day position but was paid on a 12-month basis. Since the annual report covers the fiscal year from July 1 through June 30, the annual report must indicate the total amount earned by June 30, even if salary payments for that term extend through August of the next school year. Note: Contributions are due in KTRS by July 15th even if Teacher C is paid after the fiscal year ends.

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher C		3942.07	185	185	40000	216.22		

Example 4: Full-time teacher - federal funds

One-half of Teacher D's creditable earnings were paid from federal funds. Total earnings, including the federal funds for this teacher, were \$40,000. Report \$20,000 in matching salary. The current matching contribution rate is 12.305%. (This rate increases to 13.105% on July 1, 2004.)

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher D		3942.07	185	185	40000	216.22	2461.00	20000

Example 5: Full-time teacher - administrator with 12-month contract

Administrator E's contract runs September through August. His contract rate for the current year ending August 31 was \$60,000. For the year ending the following August 31, his contract rate was \$62,000. His salary rate and creditable earnings for the current school year are computed as follows:

$\$60,000 / 12 = \$5,000/\text{month} \times 2 \text{ (July and August)} = \$10,000$

$\$62,000 / 12 = \$5,166.67/\text{month} \times 10 \text{ (September thru June)} = \$51,666.70$

Total earnings for fiscal year = \$61,666.70

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher E		6077.25	260	260	61666.70	237.18		

Example 6: Full-time teacher - administrator with 11-month contract

Administrator F had an 11-month employment agreement. His contract period was for the 220-day period from August 1 through June 30; however, he was paid over the 12-month period August 1 through July 31. His contract rate was \$55,000 beginning August 1 and ending June 30. Although the cash paid during the period beginning July 1 and ending June 30 was less than \$55,000, the amount reported must indicate the total amount **earned** during the fiscal year. Annual salary rate and creditable earnings: \$55,000.00

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher F		5420.25	220	220	55000	250.00		

Example 7: Full-time teacher starting late

Teacher G's employment begins after the start of the school year. The most days available to Teacher G to work are 179 with earnings of \$22,128. The contract salary for this position would normally be \$22,870 if the member had worked the entire year. Teacher G is also paid an additional \$2,300 for extra duties.

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher G		2180.71	179	185	22870	123.62		
000-00-0000	Teacher G	2	226.67			2300			

Example 8: Full-time teacher working an additional federal program

Teacher H is employed in a 185-day position earning \$40,000. Teacher H also works an additional Federal program earning \$2,300.

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher H		3942.07	185	185	40000	216.22		
000-00-0000	Teacher H	2	226.67			2300		283.02	2300

Example 9: Full-time teacher who is promoted during the year

Teacher I is employed in a 185-day position that is 50% federally funded. On December 6 she is transferred to a 12-month position for the remainder of the school year. The 185-day position has a contract salary of \$40,000 while the 12-month position has a contract salary of \$60,000. Note: Extra pay rate is reported with a "0" DRC to post service credit with this record.

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher I		1662.06	78	185	40000	216.22	1037.63	8432.58
000-00-0000	Teacher I	0	3449.25	140	240	60000	250.00		

PART-TIME CONTRACTUAL TEACHER

If the part-time contractual (P) teacher was employed for the entire school term or employment agreement, (if longer), and was not docked for any time during the period, the annual salary rate will be equivalent to a full time position.

The number of days reported in the contract days field should reflect the number of days in your school term or employment agreement, (if longer), even if the teacher is employed to work fewer than five days per week. A minimum of 185 days should be reported. If the employee occupied an administrative position, then the contract days should equal the number of days a person would have worked on a full-time basis.

Complete the Days Worked field by counting every day worked by the employee (Monday through Friday) using the school calendar. Determine the fraction of a day the member worked and convert that to equivalent whole days .

HOW TO CONVERT PART-TIME EMPLOYMENT TO EQUIVALENT FULL DAYS

If the person works a **standard fixed schedule** use the following formula.

Number of hours worked per day / 7.5 (hours in a full day) x number of days worked = equivalent full days

Jane Doe worked 5 hours per day, 3 days per week for 20 weeks

$5 / 7.5 \times 60 \text{ days worked (3 days x 20 weeks)} = 40 \text{ equivalent full days}$

or

$5 \text{ hrs} \times 3 \text{ days} \times 20 \text{ weeks} = 300 \text{ hrs} / 7.5 \text{ per day} = 40 \text{ full days}$

If the person works a **random schedule**, use the following formula:

(Number of total hours worked / 1387.5 hours per year) x 185 = equivalent full days

Jane Doe worked 5 hours per day for 10 weeks and 3 hours per day for 5 weeks

$325 \text{ total hours (5 hrs x (5days x 10 weeks) + 3hrs x (5days x 5 weeks))}$

$325 / 1387.5 = .2342 \times 185 = 43.33 \text{ equivalent full days}$

or

$[(5 \text{ hrs} \times 5 \text{ days} \times 10 \text{ weeks}) + (3 \text{ hrs} \times 5 \text{ days} \times 5 \text{ weeks})] / 7.5 \text{ per day} = 43.33 \text{ full days}$

Example 10: Part-time contractual teacher - four clock hours daily

Teacher J worked all year on a reduced schedule that consisted of 4 hours daily out of a required 7.5 hours. The salary schedule rate for a full-time teacher was \$40,000; thus, she was paid \$21,333.33 ($\$40,000 \times 4 \div 7.5$).

There were 185 paid days in the school term.

Convert standard fixed schedule to equivalent full days

Equivalent full days worked = $(4/7.5) \times 185 = 98.67$

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher J	P	2102.40	98.67	185	40000	216.22		

Example 11: Part-time contractual teacher - three days per week

Teacher K was employed 3 full days per week for the entire school term in a position that would pay \$40,000 on a regular full-time basis. The teacher actually earned \$24,000 (3/5) for the year of part-time employment. No earnings were docked. There were 185 days in the school term. Based upon a review of the calendar, Teacher K worked 111 full days.

Convert standard fixed schedule to equivalent full days

Equivalent full days worked = $3/5 \times 185 = 111$

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher K	P	2365.20	111	185	40000	216.22		

Example 12: Part-time contractual teacher - partial year

Teacher L was employed 2 hours per day. He was unable to complete the year and left after 100 days. His full time salary would have been \$40,000.00. His actual creditable earnings were \$5,766.49. He was employed 5 days per week, 2 hours per day of a 7.5-hour workday or 26.67% (2/7.5).

Convert standard fixed schedule to equivalent full days

Equivalent full days worked = $(2/7.5) \times 100 = 26.67$

Contract Salary = $\$40,000/185 = 216.22 \times (2/7.5) = 57.66$ per day $\times 100 = \$5766.49$

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher L	P	568.29	26.67	185	40000	216.22		

Example 13: Part-time contractual with extra earnings

Teacher M works 3.5 days per week for 37 weeks ($3.5/5 = 70\%$). The teacher earns \$16,009 plus additional earnings of \$500. All pay is federally funded.

Convert standard fixed schedule to equivalent full days

Equivalent full days worked = $3.5/5 \times 185$ days = 129.5

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher M	P	1577.69	129.50	185	22870	123.62	1969.91	16009
000-00-0000	Teacher M	2	49.28			500		61.53	500

PART-TIME NONCONTRACTUAL TEACHER

Tutors and homebound teachers are common examples of members who should be reported as employment type H. Part-time noncontractual members are reportable only during the regular school term. Summer earnings are not reportable. The only duties reportable for the part-time noncontractual member are those duties that, by law, require certification. The number of days in the employment agreement should reflect the number of days in the employer's school term. The total number of days paid includes every day, Monday through Friday, during which certified duties are performed. When reporting the total number of days paid, it is imperative that partial days be converted to full-day equivalents. For example, if a homebound teacher worked four half days, the total number of days paid reported is two.

Example 14: Part-time noncontractual - homebound teacher

Teacher N is a homebound teacher who taught, as needed, 10 full days and 30 half days during the school term. She earned \$3,200.

Days worked = $10 + (30 / 2) = 25$

Contract Salary = $\$3200 / 25 = \$128 \times 185 = \$23680$

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher N	H	315.36	25	185	23680	128		

Example 15: Part-time noncontractual - extended school

Teacher O worked in the district's extended school program. Since Teacher O was employed in a certified position, KTRS contributions were withheld. Teacher O worked 1.5 hours a day, 3 days a week for 5 weeks. Teacher O was paid at a daily rate of \$150.

Days Paid = $1.5 \times 3 \times 5 = 22.5 / 7.5 = 3$

Contributions = $9.855 \times 3 \times 150 = \44.35

CT salary = $185 \times 150 = 27,750$

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher O	H	44.35	3	185	27750	150		

SUBSTITUTE TEACHER

Report as employment type S (substitute) a teacher who is employed as a temporary replacement for a regular teacher, regardless of the length of employment or rate of pay. If the teacher receives two rates of pay, then two records are necessary to report the different pay types. The only duties reportable for the substitute are those duties that, by law, require certification.

The number of days in the employment agreement should reflect the number of days in your school term. The total number of days paid includes every day, Monday through Friday, during which certified duties are performed. When reporting the total number of days paid, you must convert partial days into full-day equivalents. For example, if a substitute teacher worked two half days, the total number of days paid reported is one.

Example 16: Substitute teacher - full days

Teacher P substituted on an on-call basis for 18 full days during the school term. The district's substitute rate was \$65 per day. Teacher P was paid \$1,170.

Contract salary = \$65 x 185 = \$12025

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher P	S	115.30	18	185	12025	65		

Example 17: Substitute teacher - partial days

Teacher Q substituted 8 full days and 6 half days. His daily rate of pay is \$65 per day. He earned \$715.

Days Worked = 8 + (6/2) = 11 days

Contract Salary = \$65 x 185 = \$12025

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher Q	S	70.46	11	185	12025	65		

Example 18: Substitute teacher – earnings

Teacher R works as a teacher's aide. He is paid \$70 per day. For one day, he was reassigned to a full day of substitute teaching for which he received an extra \$20. The total he received for the substitute teaching was \$90 (\$70 + \$20).

Contract Salary = \$90 x 185 = \$16650

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher R	S	8.87	1	185	16650	90		

Example 19: Substitute teacher - paid at two different rates and noncertified duties

Teacher S worked as a substitute teacher while another teacher was on a leave of absence. District 100 pays its long-term substitutes \$60 per day for the first 20 days and \$115 per day thereafter. Teacher S worked 50 full days and was paid a total of \$4,650. Teacher S was also the class sponsor for which he was paid \$300.

Contract Salary = \$60 x 185 = \$11100

Contract salary = \$115 x 185 = \$21275

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher S	S	118.26	20	185	11100	60		
000-00-0000	Teacher S	0	340.00	30	185	21275	115.00		

Since class sponsorship does not require a teaching certificate and a substitute is not under contract, only Teacher S's earnings as a substitute teacher are reportable to KTRS. The class sponsorship earnings are not reportable.

Example 20: Substitute teacher - paid full-time rate

Teacher T substituted the entire second semester for a teacher who was on maternity leave. Teacher T was paid at the salary schedule rate of \$25,000. The school term was 185 days of which she worked 88 and was paid \$11,892.32.

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher T	S	1171.99	88	185	25000	135.14		

EXTRA DUTY REPORTING

Full-time and part-time contractual (P):

Extra duties that involve teaching or supervising students and other assignments related to the academic program are reportable as salary for full-time and part-time contractual teachers. If the extra duty is performed on a contractual basis, a second record is used to record this, if the member did not complete the entire contract.

Substitute (S) and part-time noncontractual (H):

Extra duties performed by substitutes or part-time noncontractual teachers are **not reportable** unless the extra duty requires certification by law. Extra duties that require certification are reportable regardless of employment status (e.g., ESS, homebound teacher). (For more information about extra duty reporting, see Chapter 3, Annual Compensation.)

Extra duties not requiring certification

Earnings for an individual who is not employed as a regular teacher but who performs extra duties that do not require certification is reportable **only** if the individual is employed as a full-time or part-time contractual teacher by another KTRS-covered employer.

Extra duties requiring certification

A teacher who performs extra duties that require certification and who is not employed as a regular teacher is reported as full-time (F), part-time contractual (P) or part-time noncontractual (H), depending upon the employment agreement and work schedule. For Example, Teacher A was employed in District 100 as assistant band director and worked two hours daily. District 100 would report him as employment type P (part-time contractual). **The Kentucky State Board of Education, not the individual employer, determines whether a position** or extra duty requires certification. (See Chapter 3, Annual Compensation, for a listing of extra duties).

Example 21: Extra duty - full-time teacher

Teacher U worked all term at a salary of \$40,000. He also received \$200 for working at speech contests. There are 185 days in the school term.

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher U		3942.00	185	185	40000	216.22		
000-00-0000	Teacher U	2	19.71			200			

Example 22: Extra duty - part-time contractual teacher

Teacher Q was employed 2 hours per day for the entire school term. A normal school day is equal to 7.5 hours. The school term was 185 days. She earned \$9,666.67. She also earned \$1,500 for coaching.

Days Worked = $2 / 7.5 = .2667 \times 185 = 49.33$

Contract Salary = $\$9,666.67 / .2667 = \36245.48

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher Q	P	952.65	49.33	185	36245.48	195.92		
000-00-0000	Teacher Q	2	147.82			1500			

Example 23: Extra duty - substitute teacher

Teacher R worked 50 full days as a substitute teacher and was paid \$3,000. At the same school district, he also coached football and track and was paid \$2,250. In addition, Teacher R was paid \$75 for lunchroom supervision.

Contract Salary = $\$3000 / 50 = \60 per day $\times 185 = \$11,100$

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher R	S	295.65	50	185	11100	65		

Since coaching and lunchroom supervision do not require a teaching certificate, only Teacher R's earnings as a substitute teacher are reportable to KTRS. The coaching and lunchroom supervision earnings are not reportable.

Example 24: Extra-duty - part-time noncontractual teacher

Teacher S was a homebound teacher on an "as needed" basis. Teacher S worked 2 hours per day for 37 days and was paid \$740. A normal day consisted of 7.5 hours. He also performed study hall supervision on those same days and was paid \$250.

Since study hall supervision does not require teacher certification and he is a part-time noncontractual teacher (H), only Teacher S's homebound earnings are reportable to KTRS. The study hall supervision earnings are not reportable.

Days Worked = $2 / 7.5 = .2667 \times 37$ days worked = 9.87 equivalent full days

Contract Salary = 37 days worked \times 2 hours per day = 74 hours worked

$\$740 / 74$ hours worked = \$10 per hour

185×7.5 hours per day = 1387.50 hours total

$1387.5 \times \$10 = \13875 contract Salary

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher S	H	72.93	9.87	185	13875	75		

Example 25: Extra duty - coach in different district

Teacher T was employed full-time (F) at District 100. He was also employed as a football coach in District 200. His contract stated he would be paid \$2,500 to coach the 4-month season. Teacher T resigned from his coaching position after 2 months and earned \$1,250. Report days paid as zero for type 2 employments. District 200 should report the following:

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher T	2	123.19			1250			

DOCKED DAYS

Reduce days paid for days docked at full pay. If a member (either full-time [leave blank] or part-time contractual [P]) is docked, do not reduce the contract salary rate reported. The contract salary rate should be the amount earned assuming he or she worked the entire school term or the length of his or her employment agreement, whichever is greater, with no time docked.

Example 26: Docked days - full-time teacher

Teacher U was full-time (F) with an annual salary rate of \$40,000. The school term was 185 days. She was docked for 15 days, and \$3,243.24 ($\$40,000 \div 185 \times 15$) was deducted from her pay. She was also the class sponsor and was paid an extra \$300.

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher U		3622.38	170	185	40000	216.22		
000-00-0000	Teacher U	2	29.57			300			

Example 27: Docked days - part-time contractual teacher

Teacher V was part-time contractual (P) for the entire school term with an annual salary rate of \$24,000. Her contract required her to work 3 full days per week, 111 days in the school term.

She was docked for eight days, and \$1,729.68 was deducted from her pay.

Days paid: $111 - 8 = 103$

Per Diem: $\$24,000 \div 111 = \216.21

Contract Salary = $\$216.21 \times 185 = \$40,000$

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher V	P	2194.67	103	185	40000	216.21		

MULTIPLE EMPLOYERS

Active or retired teachers need to have contributions deducted on all of their employment. If an employee is full-time in one district and does either extra duties or non-contractual work at another district, then contributions should be withheld on all employment at both districts.

Example 28: Multiple employer - part-time contractual

Teacher X was employed for 4 hours per day, 5 days per week in District 100 and 3 ½ hours per day, 5 days per week in District 200. Because 2 employers employed Teacher X on a part time basis under contract, they each should report the member as part-time contractual (P). Teacher X's salary in District 100 was \$15,000 and his salary in District 200 was \$10,000.

District 100 Employer's Annual Report of Earnings:

Days Worked = $4 / 7.5 = .5333 \times 185 = 98.67$

Contract Salary = $15,000 / .5333 = 28126.75$

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher X	P	1478.26	98.67	185	28126.75	152.04		

District 200 Employer's Annual Report of Earnings:

Days Worked = $3.5 / 7.5 = .4667 \times 185 = 86.3$

Contract Salary = $10,000 / .4667 = 21427$

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher X	P	985.50	86.3	185	21427	115.82		

Example 29: Multiple employers - full-time teacher and coach

Teacher Z was employed full-time at District 100 and coached golf in District 200. He received \$31,000 from District 100 and \$2,500 from District 200.

District 100 Employer's Annual Report of Earnings:

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher Z		3055.05	185	185	31000	167.57		

District 200 Employer's Annual Report of Earnings:

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher Z	2	246.38			2500			

Example 30: Multiple employer – substitute

Teacher A worked as a substitute for District 100 and District 200. At District 100, she worked 10 full days and 5 half days. District 100 paid her a total of \$812.50. At District 200, she worked 12 full days and 2 half days for which she was paid \$910.

District 100 Employer's Annual Report of Earnings:

Days Worked = $10 + (5/2) = 12.5$

Contract Salary = $\$812.50 / 12.5 = \$65 \times 185 = \$12025$

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher A	S	80.07	12.5	185	12025	65		

District 200 Employer's Annual Report of Earnings:

Days Worked = $12 + (2/2) = 13$

Contract Salary = $\$910 / 13 = \$70.00 \times 185 = \$12950$

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher A	S	89.68	13	185	12950	70		

MULTIPLE EMPLOYMENTS WITH SAME EMPLOYER

This pertains to an employee who starts the school in one position and finishes it in another position with a different salary and number of contract days. The actual salary earned and days worked in each position should be reported separately on the annual report.

Example 31: Multiple employments – part-time to full-time employment

Teacher B began the year as a part-time contractual employee. She worked 3 days per week and her annual salary rate was \$14,000. The school term was 185 days. After school was in session for 60 days, she became full time. Her annual salary rate was \$25,000 for her full-time position. She earned \$4,540.54 as a part-time teacher and \$16,892.50 for the 125 days she was a full-time teacher.

Total days paid: Creditable earnings:

Part-time Position = $3 / 5 = .60$ employed $60 \times .60 = 36$ days worked = $\$4,540.54 / 36$
= \$126.13 per day

Full-time Position = 125 days @ 135.14 per day = \$16,892.50

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher B	P	447.47	36	185	23333.33	126.13		
000-00-0000	Teacher B		1664.76	125	185	25000	135.14		

Example 32: Multiple employment - substitute to full-time

Teacher C began the year as a substitute teacher. She worked 10 days as a substitute teacher and was paid \$75 per day. The district created an additional full-time teaching position beginning the second semester, which Teacher C accepted. Her full-time annual salary was \$23,125. The school term was 185 days. Teacher C worked 92 days and was paid \$11,500 for the second semester. She also earned \$240 for lunchroom supervision during the second semester.

Creditable earnings:

10 substitute days x \$75 = \$ 750.00
 Contract Salary for substitute position = $\$75 \times 185 = \$13,875$
 92 full-time days x \$125.00 = \$ 11,500.00
 Base earnings \$ 12,250.00
 Lunchroom supervision \$240.00
 \$12,490.00

Ex. 32 Employer's Annual Report of Earnings:

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher C	S	73.91	10	185	13875	75		
000-00-0000	Teacher C		1133.33	92	185	23125	125		
000-00-0000	Teacher C	2	23.65			240			

Example 33: Multiple employments - partial-year employment

Teacher D, a part-time contractual teacher, worked 2 days per week, 3 hours per day, the first 4 weeks of the second semester. For the remaining 72 days, Teacher D worked 5 days per week, 3 hours per day. The semester was 92 days and the school term 185 days.

Days Worked First Position: $3/7.5 = .40$ employed x 8 days (2 days per week x 4 weeks) = 3.2 full days

Days Worked Second Position: $3/7.5 = .40$ employed x 72 days = 28.8 full days

Equivalent Full Days Worked = $28.8 + 3.2 = 32$ days

Her earnings were \$5,596; she also earned \$1,500 for coaching volleyball the second semester.

Earnings:

Base earnings \$5,596.00

Volleyball 1,500.00

\$7,096.00

Contract Salary = $\$5,596 / 32$ full days = $\$174.88$ per day = $185 \times \$174.88 = \$32,352.80$

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher D	P	551.49	32	185	32352.80	174.88		
000-00-0000	Teacher D	2	147.83			1500			

Teachers' Retirement System of the State of Kentucky

Example 34: Multiple employment - part-time noncontractual and substitute

Teacher E worked as both a homebound teacher and substitute teacher during the same school year. He worked as a homebound teacher 3 hours per day for 25 days and was paid \$1,125. He was a substitute teacher for 35 full days and was paid \$2,800.

Homebound = $3/7.5 = .40$ employed x 25 days = 10 full days

Contract Salary = $\$1125 / 10 = 112.5$ per day x 185 = 20812.50

Substitute = 35 full days employed

Contract Salary = $\$2800/35 = 80$ per day x 185

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher E	H	110.87	10	185	20812.50	112.50		
000-00-0000	Teacher E	S	275.94	35	185	14800	80		

Example 35: Multiple employment - part-time contractual and substitute

Teacher F worked full days on Mondays, Wednesdays, and Fridays for the entire school term. The annual salary rate for her part-time contractual position was \$22,000. On Tuesdays and Thursdays, Teacher F occasionally substituted from 8:30 a.m. to 12:30 p.m. for the same district. She was paid \$700 for 14 substitute days. She worked 111 days in her part-time position; no earnings were docked.

Days Worked in Part-time position = $3/5 = .60$ x 185 = 111 days

Substitute Position = 4 hours / 7.5 hours = .5333 per day x 14 days = 7.467 equivalent full days

Contract Salary part time position = $22,000 / 111 = 198.20$ per day x 185 = 36,666.67

Contract Salary substitute position = $700/7.467 = 93.75$ per day x 185 = 17342.98

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher F	P	2168.10	111	185	36666.67	198.20		
000-00-0000	Teacher F	S	69.98	7.47	185	17342.98	93.75		

SUMMER SCHOOL

As explained in Chapter 3, Annual Compensation, summer school earnings are reportable if they are part of the teacher's employment agreement.

Example 36: Summer school

Teacher G's contract for the 2001-02 school year included the 185-day school term plus 6 weeks of summer school. Teacher G's regular school term contract was extended in writing to include the summer months. Two-week summer school sessions were held in June, July, and August 2002. He earned \$25,000 during the school term and \$1,000 per week for summer school.

Report summer school earnings earned through June 30, 2002, as annual compensation on the Employer's Annual Report of Earnings form for the 2001-02 school year. Report summer school earnings in July and August 2002 with annual compensation for the 2002-03 school year.

In addition to summer school earnings in July and August 2002 during the 2002-03-school term, he earned \$28,000. He did not have summer school earnings in the summer of 2003.

2001 - 02 Employer's Annual Report of Earnings:

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher G		2463.75	185	185	25000	135.14		
000-00-0000	Teacher G	2	197.10			2000			

2002 - 03 Employer's Annual Report of Earnings:

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher G		2759.40	185	185	28000	151.35		
000-00-0000	Teacher G	2	394.20			4000			

FEDERAL FUNDS

If any portion of a member's salary is paid from federal funds that you administer, then you must pay KTRS an employer contribution equal to 12.305 percent of salary paid from special trust or federal funds. This rate will increase to 13.105 percent July 1, 2004. This includes stipends or substitute pay. (For more information on federal funds, see Chapter 4.)

Example 37: Federal funds

Teacher Z was a substitute teacher. He substituted for 10 days at \$75 per day for total earnings of \$750. Two of the 10 days were paid from the Title 2 program.

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher Z	S	73.91	10	185	13875	75	18.46	150

ACCRUAL ACCOUNTING

KTRS requires earnings to be reported on an accrual basis. Accrual accounting requires the recognition of revenue in the period earned, which may not coincide with the period in which it is paid. Annual Compensation from July 1 through June 30 should be reported on each year's annual report.

Example 38: Accruals

Teacher A was full-time with a base rate and earnings of \$27,000. During April, he chaperoned a dance and was paid \$75. He turned in his time sheet on June 13 and was paid on July 15. The \$75 is reportable in the current school year ending June 30 since the \$75 was earned before June 30.

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher A		2660.85	185	185	27000	145.95		
000-00-0000	Teacher A	2	7.39			75			

Example 39: Accruals

Teacher B was paid \$25,500 during the current school year. At the end of the fiscal year it was discovered that her correct salary was \$24,000 and she had been overpaid by \$1,500. The district decided to collect the overpayment by docking her next year's wages. She was paid \$24,500 (26,000 contract less \$1,500 docked) during the following year.

\$24,000 is reportable in the current school year

\$26,000 is reportable in the next school year

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher B		2365.20	185	185	24000	129.73		

Example 40: Accruals

Teacher C was paid at the incorrect step of the salary schedule during the 2002-03 school year. In 2002-03, he was paid \$27,000. However, he should have been paid \$29,000. The error was discovered and corrected during the 2003-04 school year. In 2003-04, he was paid \$37,000 (\$35,000 contract plus \$2,000 correction of error).

\$29,000 is reportable in 2002-03

\$35,000 is reportable in 2003-04

2003-04 Employer's Annual Report of Earnings:

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher C		3449.25	185	185	35000	189.19		

SICK LEAVE REPORTING

If a member receives payment for accumulated sick leave days that are also reportable to KTRS as annual compensation, no service credit will be available for the days that were compensated.

Example 41: Full-time teacher retiring with a sick leave payment

Teacher G works the full year with earnings of \$40,000 and retires July 1st. This teacher's contract is not federally funded. The teacher received a sick leave payment of \$3,450.

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher G		3942.00	185	185	40000	216.22		
000-00-0000	Teacher G	8	340			3450			

RETIRED REPORTING

Effective July 1, 2002, retirees, who retire on or before June 30, 2002, will be able to return to work in a KTRS covered position in one of these four scenarios: (1) waivers, (2) 100 day employment, (3) part-time and (4) full-time. Retirees retiring after this date may not return to work as a 100-day employee.

Example 42: Retired teacher returning on a waiver

Teacher H works a full year making \$36,000. This teacher is also employed as the baseball coach at \$5,000 and the key club sponsor at \$300. **A retiree who returns to work on waiver has no earning restrictions. Since the member is waiving his annuity, he is reported with a blank DRC.**

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher H		3547.80	185	185	36000	194.59		
000-00-0000	Teacher H	2	522.31			5300			

Example 43: Retired teacher returning to work on a 100 day contract

Teacher I returned to work full time for 100 days. This example assumes the teacher works a full school day. This teacher also worked in the Extended school program at \$2,000 and the key club sponsor at \$300. These additional duties were performed on the same calendar days as the 100 days worked.

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher I	P	1917.73	100	185	36000	194.59		
000-00-0000	Teacher I	2	226.66			2300			

Since Teacher I was employed on a contractual basis; therefore, all extra duties are subject to KTRS contributions. This member would earn service credit of .54, which will be included in a second retirement account. After earning 5 years of service credit the member would be eligible for another retirement annuity.

Note: If the extra duties were not performed in the same day, the member would have exceeded his 100 days limit and be subject to repayment.

Example 44: Retired teacher returning to work on a part-time basis

Teacher J returns to work under the new KTRS law, which allows a member to work up to .70 of the normal days in the position that he is employed. Since the number of days in the position Teacher J is working is 185, the law limits Teacher J's days to 129. Teacher J can earn up to 75% of his last annual salary on a daily rate basis. Since Teacher J's last annual salary was \$50,000, his maximum daily rate is \$37,500/185 or \$202.70. Call KTRS for the daily wage threshold.

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher J	R	2576.95	129	185	37500	202.70		

Teacher J's maximum allowable earnings for the school year was calculated by determining his maximum daily rate and then multiplying that amount \$202.70 by .70 of the number of days in the position occupied (185 times .69) or 129. His maximum allowable earnings for the year were then \$26,148.30. This member would also earn service credit of .69, which will be included in a second retirement account. After earning 5 years of service credit the member would be eligible for another retirement annuity.

Example 45: Retired teacher returning to work on a part-time basis with extra duties

Teacher K returns to work under the new KTRS law, which allows a member to work up to .70 of normal days (185) in a teaching position. The law limits Teacher K's days to 129. Teacher K can earn up to 75% of his last annual salary on a daily rate basis. KTRS calculated the member's DWT at \$202.70. As shown in the example above, Teacher K's maximum allowable earnings in a KTRS position is \$26,148.30.

Extra earnings for teachers are subject to KTRS contributions since Teacher K entered into a contract to teach on a part-time basis. The extra earnings are also counted toward the earnings limit. Teacher K was a key club sponsor \$300.

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher K	P	2576.95	129	185	37500	202.70		
000-00-0000	Teacher K	2	29.56			300			

Since Teacher K was employed on a contractual basis, all extra duties are subject to KTRS contributions. This member would also earn service credit of .69, which will be included in a second retirement account. After earnings 5 years of service credit the member would be eligible for another retirement annuity.

In addition, since Teacher K exceeded his earnings limit by \$300, he will be required to repay KTRS \$300. This amount will be deducted from his KTRS annuity.

Example 46: Retired teacher returning to work on a full-time basis

Teacher L returns to work under the new KTRS law, which allows a member to work full-time in a KTRS covered position. Teacher L can earn up to 75% of his last annual salary on a daily rate basis. KTRS calculated the member's DWT at \$202.70.

This amount was then multiplied by 185 the maximum number of days he could work to arrive at his maximum allowable earnings of \$37,500. In addition, Teacher L has met the break-in-services rules (see chapter 10 - Post retirement matters).

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher L		3695.63	185	185	37500	202.70		

This member would also earn a year service credit, which will be included in a second retirement account. After earning 5 years of service credit the member would be eligible for another retirement annuity.

Example 47: Retired teacher returning to work on a full-time basis with extra service

Teacher M returns to work under the new KTRS law, which allows a member to work full-time in a KTRS covered position. Teacher M can earn up to 75% of his last annual salary on a daily rate basis. KTRS calculated the member's DWT at \$202.70.

This amount was then multiplied by the days worked 170 to arrive at his maximum allowable earnings of \$34,459.

This teacher was also employed in the Extended school program at \$2,000 and the key club sponsor at \$300.

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher M		3395.93	170	185	37500	202.70		
000-00-0000	Teacher M	2	226.66			2300			

This member's total earnings were \$36,759, which is below his limit of \$37,500. However, since Teacher M earned \$36,759/170 or \$216.23 per day, his maximum allowable daily earnings were exceeded. **Teacher M has to repay KTRS the excess earnings of \$2,300. This amount will be taken from his KTRS annuity.** This member would also earn .92 of a year service credit, which will be included in a second retirement account. After earning 5 years of service credit the member would be eligible for another retirement annuity.

Example 48: Retired substitute with extra duties

Teacher N returned as a substitute. Teacher N substituted 56 days and also earned \$300 as the class sponsor. Teacher N earned \$100 per day as a substitute. Because the class sponsor did not require teacher certification and the member is hired, as a substitute the employer should not withhold KTRS contributions on the extra duty.

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher N	S	551.88	56	185	18500	100		

Example 49: Current year retired teacher returns to work after meeting break in service rules

Teacher R retires effective November. He worked 60 days earning \$12,973.20 with contract salary of \$40,000. After meeting his 3 month break-in-service requirement, he returns to work with the same employer on a part-time basis working 4 hours per day for 50 days earning \$19.95 an hour. Teacher R can earn up to 75% of his last annual salary on a daily rate basis. KTRS calculated the member's DWT at \$162.16 per day.

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher R		1278.51	60	185	40000	216.21		
000-00-0000	Teacher R	P	393.21	26.5	185	27682	149.63		

Teacher R did not exceed the earning limits in this fiscal year.

Example 50: Retired teacher returning to work on a 100-day contract

Teacher P returned to work for 5 hours a day for 100 days. Teacher P earns \$25.95 an hour. Teacher P worked his 100 days limit which is reported on Form 30. However, the Annual Report of Earnings should be reported as follows:

SSN	Name	DRC	Contrib. Withheld	Days Worked	Contract Days	Contract Salary	Daily Dock Rate	Matching Contrib.	Matching Salary
000-00-0000	Teacher P	P	1278.69	67	185	36000	194.59		

You should note that Form 30 requires you to report 100 days (the Teacher worked more than 3.5 hours for 100 days). The Annual Report of Earnings requires you to convert days paid to equivalent full days.

Input Record Layout

POSITIONS	LENGTH	FIELD DESCRIPTION	DETAILED INFORMATION
1-5	5	District (Unit) Number-Right Justify and fill unused positions with zeroes.	The district number is to be constant in every record. If you do not know what your Teachers' Retirement System district (unit) number is, then record zeroes in this field.
6	1	Employment Type Indicator	Use this field to indicate the type of employment status. Code & Description (Leave Blank) - Full time Employment 2-6 - Extra Duties 7 - Annual and Comp Payments 8 - Sick leave payment upon retirement P - Part-time contractual H - Part-time noncontractual S - Substitute 0 or 1 - Days paid for multiple pay rates
7-15	9	Social Security Number	No comment needed
16-22	7	Retirement Contribution Record the amount in dollars and cents, omitting dollar signs, commas and periods. Right justify and fill unused positions with zeroes.	Teachers' Retirement contribution withheld during the fiscal year ending June 30. Do not create a record if the contribution equals zeroes.
23-29	7	Matching (Federal) Contributions The required employer contribution on the portion of the employer's salary which is paid from non-state (federal) funds.	The portion of the RETIREMENT CONTRIBUTION paid from non-state (primarily federal) funds requiring the employer to submit a matching contribution.
30	1	First Initial	No comment needed
31-38	8	Salary Requiring Matching Contributions	Salary member was paid from federal funds, etc.

continued . . .

Input Record Layout

POSITIONS	LENGTH	FIELD DESCRIPTION	DETAILED INFORMATION
39	1	Middle Initial Middle initial or blank.	No comment needed.
40-53	14	Last Name Left justify and fill unused positions with blanks.	No comment needed.
54-58	5	Days Paid First 3 positions for whole numbers, last 2 positions for hundredths of a day.	Days for which pay was received including sick leave, annual leave, etc. used in lieu of a workday. Days associated with final payment for annual leave, accumulated sick days, compensatory time, etc. should not be included in days paid. Fractional days shall be rounded to the nearest hundredth. Part-time employment should be prorated to equate to full days.
59-61	3	Contract Days Whole number only; right justify and fill unused positions with zeroes.	Number of days in member contract (i.e. regular teacher, probably 185; principal, probably 220; superintendent, probably 240).
62-69	8	Contract Salary Record the salary in dollars and cents, omitting dollar signs, commas and periods. Right justify and fill unused positions with zeroes.	Salary member would have received for all services in a covered position for a full year. This should be the daily rate times the number of days in the contract year. A contract year cannot be less than 185 days.
70	1	Blank (unused)	No comment needed.
71	1	Blank (unused)	No comment needed.
72-76	5	Daily Dock Rate	The value used to reduce a member's salary for each day missed without pay.
77-80	4	Blank (unused)	No comment needed.



Chapter

6

Service Credit

Maximum Creditable Service in One Year

Adding Service Credit to a Member's Record

Employer Responsibilities for Sick Leave Days

Sick Leave Service Credit

Sick Leave Compensation

Personal Leave Days

Unused Vacation Days

Leave of Absence/ Sabbatical Leave

Labor Contract Litigation

Duplicate Service Credit

EMPLOYER RESPONSIBILITIES

For Active Members: Certify on the annual report the number of days paid, number of days in contract, extra service pay, and contributions withheld.

(See Chapter 5)

For Retiring Members: Certify the number of days paid, number of contract days, number of unused sick leave days, and the amount of compensation on the member's retirement application.

(See Chapter 11)

Service credit is the time that members accumulate during their careers in a KTRS-covered position that is used in calculating their retirement benefit. A member may never receive more than one year of service credit for any one fiscal year. There are opportunities for members to purchase additional service credit to add to their retirement accounts. The types of service credit purchases are described in Chapter 7.

Since most members have an employment contract, service credit is awarded based on the number of days paid in relation to the number of days in the contract. Contracts can have different total days required due to the type of position covered, i.e. teaching or administrative. Members employed on a part-time or substitute basis will be awarded service credit based on the number of days paid out of a normal teaching contract for that district or 185 days, whichever is greater.

Service credit is granted for days paid for which periodic payment is made to the member for:

- Service rendered that requires certification under the School Code;
- Legal school holidays;
- Attendance during the workweek at teachers' institutes, workshops and parent/ teacher conferences scheduled in the school calendar; and
- Vacation, personal, or sick leave days used before termination.

Service credit is not granted for Saturdays or Sundays except in the rare instance where the Saturday service is required as a lawful day of attendance.

Sick days, vacation days, and contract buy-outs paid in a lump sum cannot be used to establish service credit with KTRS. **Likewise, a member may not earn service credit for days they were paid while on a board-approved leave of absence.** However, the member may be eligible to purchase the leave as additional service credit. (See Chapter 7, Purchase of Additional Service Credit)

MAXIMUM CREDITABLE SERVICE IN ONE YEAR

A maximum of one year of service is creditable for all days worked in any one fiscal year. KTRS grants a full year of service credit to any member who is employed and receives creditable earnings for all of the contract days of an employment contract upon certification of the employer. Members are entitled to a full year of service credit if their total unpaid days were five (5) or fewer out of the number of days in their employment contract. If the member has more than five (5) unpaid days out of the number of days in their employment contract, the member will be awarded service credit based on the number of days paid in relation to the number of days in the employment contract.

Members of more than one Kentucky public retirement system cannot receive more than one year of service credit in a fiscal year. At the time of retirement, members who have overlapping service credit will have their service credit reduced so that they receive no more than one year of service credit in a fiscal year.

Note: Members who complete their employment contract before the close of a fiscal year and elect to retire prior to the close of a fiscal year will have their service credit reduced by eight percent (8%) for each calendar month that the retirement becomes effective before July 1. If a member retires effective June 1, the most service credit a member can receive is .92 (per KRS 161.500) even if the member completed their contract and was paid their entire contract salary.

ADDING SERVICE CREDIT TO A MEMBER'S RECORD

At the close of each fiscal year, the retirement system will add service credit to the account of each member who contributed during the year. Members' service credit is recorded based upon the number of days paid in relation to the total number of days in the employment contract reported on the Employer's Annual Report of Earnings form. (See Chapter 5, Employer's Annual Report of Earnings.)

The Employer's Annual Report of Earnings and the reconciliation process (described in Chapter 5) result in an annual ***Statement of Retirement Account*** that is mailed to every member in September. Members are encouraged to carefully review this statement. The annual statement is subject to a final audit by KTRS and any corrections will be made in accordance with the applicable statutes and regulations.

EMPLOYER RESPONSIBILITIES FOR SICK LEAVE DAYS

As an employer, you certify the number of unused, uncompensated sick leave days on the member's retirement application. Depending on the employer's policies at the time of retirement, employers have three options regarding the treatment of sick days in the member's retirement benefit:

- (1) not to include sick leave in the member's final retirement benefit;**
- (2) to convert the sick leave days to service credit; or**
- (3) to pay the member for their sick leave days.**

Employers need to notify KTRS whenever a change in their sick leave policy occurs. Copies of changes to employer's written policies regarding the treatment of sick leave must be received by KTRS before a member's retirement date.

SICK LEAVE SERVICE CREDIT [KRS 161.623]

Members may receive service credit at retirement for unused, uncompensated sick leave. To be creditable for retirement purposes, sick leave days must have been accumulated while in a KTRS position. Upon receipt of the member's application for service retirement, the employer shall certify the retiring member's unused accumulated sick leave balance. The amount of service credit available

to a member can be determined by dividing the number of sick leave days by 185. The sick leave credit cannot be used for determining whether the member is eligible to receive a retirement annuity.

KTRS will compute the cost of the sick leave credit for each retiring member and will bill the last employer of the retiring member for the full actuarial cost as defined in KRS 161.220(22). The employer is required to pay the cost of such service credit within fifteen (15) days after receiving notification of the cost. Retiring members who receive service credit under this section will not be eligible to receive compensation for accrued sick leave. Employer participation is optional and the employer may opt to purchase less service credit than the member is eligible to receive provided the same percentage of reduction is made applicable to all retiring members of the employer during a fiscal year.

SICK LEAVE COMPENSATION KRS [161.155 (9)]

A district board of education may compensate a member for unused sick leave days at the time of retirement or upon the death of a member in active contributing status who was eligible to retire because of service credit. The rate of compensation for each unused sick leave day must be based on a percentage of the daily salary rate from the member's last annual salary, not to exceed 30%. The district will deduct retirement contributions, remit them to KTRS, and the member will receive salary credit based on the contributions received.

PERSONAL LEAVE DAYS

A member may earn service credit or compensation for unused personal leave days if the employer policy is that the days roll into sick days and then are added to sick leave and reported on the retirement application.

Unused Vacation Days

KTRS will not grant service credit for unused vacation/annual days. In accordance with the employer policy, a member may be compensated for up to sixty (60) days of unused accrued annual/vacation days, which is considered part of the member's final annual compensation.

Leave of Absence/Sabbatical Leave

A member who is on a paid or unpaid leave of absence or sabbatical leave for any reason may not be granted service credit for the period of the leave. However, the member may be eligible to purchase the leave/sabbatical as service credit. (See Chapter 7, Purchase of Additional Service Credit).

Labor Contract Litigation

When a KTRS member is dismissed, suspended, or demoted, litigation may ensue that could result in the filing of a grievance or case in the circuit court. If the employer's action is successfully challenged or a settlement agreement entered into, with compensation paid to the member and contributions made to KTRS, KTRS will grant the salary and service credit that would have been earned by the member had the employer not taken the disputed action. Any member involved in pending litigation with their employer that might have an effect on the member's retirement account should contact KTRS to ensure that necessary steps are taken to improve the member's retirement account. (See Chapter 3, Creditable Earnings, for further information. See also KRS 161.612 for details.)

Duplicate Service Credit

A member may use service credit under KTRS for retirement credit under another public retirement system. However, the member must take a refund of his or her KTRS service credit.

If KTRS receives written certification that a KTRS annuitant has used KTRS service credit in another public retirement system, the duplicated service credit will be removed from the annuitant's record, and the annuitant's retirement annuity will be reduced accordingly. In addition, KTRS will offset any future benefits paid to the annuitant's beneficiary by the amount that KTRS overpaid the annuitant. Military service is an example where two retirement systems could allow the member to purchase this time.

Chapter

7

Purchasing Additional Service Credit

Types of Additional Service Credit

Reinstatement

Current Leave of Absence

Noncurrent Leave of Absence

Military Service

Out-of-State Service

Peace Corps Service Credit

Fractional Service/Balance of the Year Purchases

Nonqualified Service Credit

Kentucky Legislative Service

Federal Head Start Service

Regional Community Mental Health and Mental Retardation Service Program

Timeframe for Purchasing Service Credit

Installment Payments

Rollovers and Transfers from Other Eligible Plans

Full Actuarial Cost

Example Letter – Leave of Absence

Fractional Service/Days Missed Without Pay

Example Letter – Fractional Service/Unpaid Days

EMPLOYER RESPONSIBILITIES

- **Complete the Lost Services/Personal Contributions Form for those members who wish to purchase fractional credit.**
- **Certify the information, including dates leaving and returning, for members on a Leave of Absence.**
- **Provide member with a copy of the board minutes granting their leave of absence.**

TYPES OF ADDITIONAL SERVICE CREDIT

There are opportunities for members to purchase additional service credit to add to their retirement accounts. The types of service credit purchases are described below.

If eligible, a member may purchase the following types of additional service:

- Reinstatement
- Current Leave of Absence
- Noncurrent Leave of Absence
- Military Service
- Out-of-state Service
- Peace Corps Service Credit
- Fractional Service / Balance of the Year Purchases
- Nonqualified Service Credit
- Kentucky Legislative Service
- Federal Head Start Service
- Regional Community Mental Health and Mental Retardation Service Program

REINSTATEMENT

If a member resigns from a KTRS covered position, the member may either withdraw their funds or leave the funds on deposit. If the member withdraws the funds, their membership will be cancelled just as if they had never contributed to the system and, if they later return to KTRS-covered employment, it will be as a new member. They may reinstate a withdrawn account if they have contributing service equal to one (1) year by repaying the amount of the original withdrawal plus 8% interest compounded annually from the date of withdrawal to the date of repayment. After the account is reinstated, the member's membership status is the same as if the account had never been withdrawn.

CURRENT LEAVE OF ABSENCE

Upon proper certification, a member on an official leave of absence may contribute and receive service credit for the leave. The member's personal payment must be made to KTRS by June 30 of the year following the year for which the leave was granted. An 8% annual interest charge is added if the

payment is not made by June 30 of the school year for which the leave was granted.

Members are limited to the purchase of three (3) years leave during a ten (10) year period.

Since KTRS is not usually informed when members are granted leaves of absence, the staff cannot always advise the member of their right to obtain service credit for the leave. **Therefore, KTRS requests that the employer advise members of this opportunity and of the need to contact KTRS at the time the leave is granted.**

KTRS recommends a letter be sent to the member as suggested in the Example at the end of this section.

A member interested in obtaining credit for a leave of absence should forward a copy of the Board Minutes granting the leave to KTRS along with a Leave of Absence Form (LOA-1). The most recent version of Form LOA-1 can be obtained from our website (www.ktrs.org) under "resources" and "member forms".

KTRS can then advise the member about their eligibility to purchase the leave. The member's personal payment for a leave of absence shall be made directly to KTRS and not through the employer.

NONCURRENT LEAVE OF ABSENCE

A member may be eligible to purchase service credit for a noncurrent leave of absence when the leave was granted for health reasons, for maternity or child rearing, or to improve educational qualifications. A noncurrent leave of absence is a leave that has occurred since July 1, 1964, and before the fiscal year preceding the current fiscal year. The leave must be certified to KTRS by supplying a **copy of the board minutes** that granted the leave. The member will be required to pay the employer and the member contributions, plus any accrued interest at the rate of eight percent (8%) per annum, when purchasing noncurrent leaves of absence. A member may not receive credit for more than two (2) years under this provision.

MILITARY SERVICE

Prior Military and Public Health Service

A member may receive service credit for up to six (6) years of active military service or service in the commissioned corps of the Public Health Services if the member is in active contributing status and was in the military or Public Health Service prior to their employment in a KTRS-covered position.

Note: The member must purchase the credit before retirement. Service may be credited only if the discharge was honorable. To obtain a statement of cost and service credit, the member must send KTRS an official copy of their DD Form 214 (Military Service) or other official military records (Public Health Services) establishing the dates of entry and release from active duty. KRS 161.507(4)(a) requires the member to contribute 100% of the actuarial cost of each year of military service credited. Prior military service is considered Kentucky teaching service, but does not count toward vesting the member's retirement account. If the member is drawing or eligible to draw retirement benefits for twenty (20) or more years of active duty military service, the member is not eligible to purchase military service credit. No credit will be granted for service that is being used to qualify for annuity benefits from another retirement system financed wholly or in part with public funds.

Military Service After Becoming a Member of KTRS

A member may also receive service credit for military service that occurs after becoming a member of KTRS if advance written or verbal notice of performing military service is given to the employer. In order to receive service credit the member must return directly to KTRS-covered employment following the military service. Contributions are based upon the salary the member would have earned during the period of the absence for military service plus interest at eight percent (8%) per annum.

If the member is drawing or eligible to draw retirement benefits due to twenty (20) or more years of active duty military service, then the member is not eligible to purchase military service credit. No credit will be granted for service that is being used to qualify for annuity benefits from another retirement system financed wholly or in part with public funds.

In addition to state law, the Uniformed Services Employment and Re-employment Rights Act ("USERRA"), enacted in 1994, provides federal guidelines for continued participation in KTRS while the member is on active duty. **To receive salary and service credit, the member must document their military service with form DD214 and a letter from the employer providing the ending date of employment and the return date of employment.** The member is responsible for their contributions to KTRS. The member will have three (3) times the amount of military active duty or five (5) years, whichever is shorter, to purchase the service credit.

KTRS can provide the member with very limited, general information regarding USERRA, as this is a federal law subject to federal amendment and interpretation. Therefore, the member should always contact the federal authorities charged with the administration of USERRA if they have any questions regarding its application. The National Committee for Employer Support of the Guard and Reserves maintains a USERRA website at www.esgr.org. Contact their toll-free number at (800) 336-4590 and ask for Ombudsmen Services.

National Guard and the Military Reserves

Active contributing members of KTRS may receive service credit for service in the military reserves or the National Guard. The member may purchase one (1) month of service for each six (6) months of service in the reserves or the National Guard. The member is required to pay the full actuarial cost for this service. This service cannot be used in meeting the service requirements for either regular service retirement or disability retirement. No credit will be granted for service that is being used to qualify for annuity benefits from another retirement system financed wholly or in part with public funds.

OUT-OF-STATE SERVICE

If a member is an active contributing member of KTRS with at least one year of KTRS service subsequent to the latest out-of-state service and the member contributed to KTRS prior to July 1, 1976, the member is eligible to purchase credit for up to ten (10) years of certifiable out-of-state service performed in a public school or United States Government Dependency School. If the member entered KTRS on or after July 1, 1976, they may purchase one (1) year of out-of-state service credit for every two (2) years of Kentucky service completed. Members who joined KTRS on or after July 1, 1976, and have completed ten (10) years of Kentucky service may purchase credit for up to ten (10) years of acceptable out-of-state service.

The member may purchase retirement credit for out-of-state teaching service rendered under contract in public schools in another state, as well as service performed at the University of Kentucky, University of Louisville, and Northern Kentucky University. Members may purchase out-of-state teaching service

by paying the member and the employer contributions for the out-of-state service based upon the member's first salary in a KTRS-covered position following the out-of-state service. Accrued interest must also be paid on these contributions. Out-of-state credit counts the same as Kentucky service when calculating your retirement benefit, but it does not count toward the five (5) years of Kentucky service required for vesting. Members may use out-of-state service to qualify for twenty-seven (27) year retirement by paying an additional charge. The additional charge is computed by multiplying 8% times the member's final average salary at retirement for each year of out-of-state service that is qualified. Members age sixty (60) or older are not required to pay the additional charge unless out of state service is used to qualify for the three (3) year final average salary formula. In this case, members are required to make the qualifying payment at retirement. Credit will not be granted for service that is being or will be used in qualifying for annuity benefits from another state.

If a member wishes to obtain retirement credit for out-of-state service, then the member must have their former employer and former retirement system certify their service on forms prescribed by KTRS. Upon receipt of the certification, KTRS will notify the member concerning the amount of service they may purchase and the cost. An active contributing member who meets the eligibility requirements may purchase out-of-state service at any time. However, interest charges increase monthly.

Please have the member call KTRS and request an out-of-state form. Since this form must go to a former employer and a former retirement system, this process can take months.

PEACE CORPS SERVICE CREDIT

If a member has served as a federal Peace Corps volunteer, they may be eligible to purchase service credit in KTRS. Eligible members may purchase up to two (2) years of qualifying service credit. The cost is determined on the same basis that is used for calculation of the out-of-state service. Members may use Peace Corps service in qualifying for twenty-seven (27) year retirement, but an additional charge will be required at retirement. To obtain a statement of the cost and purchasable credit, the member must send KTRS a certified copy of the Certification of Peace Corps Volunteer Service. No credit will be granted for service that is being used to qualify for annuity benefits from another retirement system financed wholly or in part with public funds.

FRACTIONAL SERVICE / BALANCE OF THE YEAR PURCHASES

Members Who Work at Least 7/10 of the Year

If a member is employed on a regular full-time or part-time basis, or as a substitute, and works less than the regular contract year, then the member will earn less than a full year of service credit. If the employment is at least seventy percent (70%) of the regular contract year but less than the full year, then the member may make a personal contribution which will provide a full year of service credit. **If the employment began after the start of the contract year, the member is not eligible to purchase credit for service before the start of the employment.** All payments must be made by December 31 following the fiscal year in which the fractional service occurred.

Members Who Work at Least 1/2 of the Year

If a member is employed on a regular full-time basis and completes at least one-half (1/2) of a regular contract year, then the member may purchase the balance of the contract year. This option cannot be

exercised more than once every three (3) years. All payments must be made by December 31 following the fiscal year in which the fractional service occurred.

Members Who Are Employed for at Least One Complete Pay Period

If a member is employed on a regular full-time basis at the beginning of the fiscal year and works for at least one complete pay period, then the member may purchase the balance of the year for a full year of service credit. This option cannot be exercised more than once every ten (10) years. All payments must be made by the end of the fiscal year following the year in which the salary payment was made.

If a member is in any of these situations described in this section, the employer may wish to advise the member to inquire about purchasing "lost service."

KTRS recommends a letter be sent to the member as suggested in the Example at the end of this section.

The member should obtain a properly completed Lost Service/Personal Contributions Certification form (LS-1) from the employer's payroll office and forward it to KTRS, who will advise the member of any eligible purchase. Purchases must be made by December 31 following the fiscal year in which the fractional service was lost.

A Copy of Form LS-1 appears in the Forms section and can be obtained at www.ktrs.org under "resources" and "member forms."

NONQUALIFIED SERVICE CREDIT

An active contributing member who has a minimum of twenty (20) years of service credit may purchase up to a maximum of five (5) years of service credit not otherwise provided for in KTRS statutes and which meets the definition of nonqualified service as contained in federal law. At the time of retirement, the member is required to pay the full actuarial cost of any benefit enhancement derived from the usage of nonqualified service credit. If the member purchasing this credit is either less than age 55 or has less than 27 years of service credit, then an additional payment must be made for the cost of obtaining medical insurance earlier than usual.

KENTUCKY LEGISLATIVE SERVICE

A member of KTRS who has service as a Kentucky Legislator that is not covered by a retirement system administered by the Commonwealth of Kentucky may present up to four (4) years of such service for credit in KTRS by paying the full actuarial cost of the service credit.

FEDERAL HEAD START SERVICE

An active contributing member of KTRS whom a Federal Head Start Agency formerly employed and who did not participate in a state-administered retirement system may obtain credit for the period of the member's service by paying the full actuarial cost of the service credit.

REGIONAL COMMUNITY MENTAL HEALTH AND MENTAL RETARDATION SERVICE PROGRAM

An active contributing member of KTRS who was formerly employed by a Regional Community Mental Health and Mental Retardation Service Program and who did not participate in a state-administered retirement system may obtain credit for the period of the member's service by paying the full actuarial cost of the service credit.

TIMEFRAME FOR PURCHASING SERVICE CREDIT

Members interested in purchasing additional credit for out-of-state service, noncurrent leaves of absence, military service, Peace Corps, or reinstatement of a withdrawn account may contact KTRS anytime during their career in a KTRS-covered position, but at least ninety (90) days prior to their retirement date. Remember, current leaves of absence, fractional / balance of the year, and part-time service purchases must be made by certain deadlines as discussed above. Additionally, there may be other conditions and deadlines if purchasing active duty military service credit under the USERRA provisions. Members are encouraged to put their account in order before filing a retirement application. Note: A member will not be permitted to purchase service credit of any kind after the effective date of their retirement. KTRS must receive all necessary payments in time to process the retirement application. Approval of the retirement application will be delayed until all payments have been received.

INSTALLMENT PAYMENTS

A member in active contributing status may purchase certain types of service credit by entering into an installment agreement in lieu of a lump sum payment. The agreement requires payments to be made via payroll deduction or by bank draft. **In order to initiate an installment agreement the member is required to make a written request.** The minimum installment agreement must be for at least \$1,000 and the monthly payment at least \$50. Installment agreements can be structured between twelve (12) and sixty (60) months. (Please see Chapter 8 Installment Payments through Payroll Deduction).

ROLLOVERS AND TRANSFERS FROM OTHER ELIGIBLE PLANS

Rollovers allow a member to transfer funds from many different types of retirement plans to KTRS to pay for service credit purchases without loss of tax benefits. In many cases, this is a real advantage. A member's current custodian must agree to make the transfer, and the member must follow specific requirements set forth in federal tax regulations. KTRS will accept rollovers from most qualified retirement plans.

KTRS will accept spousal rollovers of distributions from Section 401(a), 401(k), Keogh, 403(a), 403(b), and 457(b) governmental plans that the member's deceased spouse participated in or that have been divided by a Qualified Domestic Relations Order. Internal Revenue Service regulations do not allow KTRS to accept rollovers from Roth IRAs.

KTRS can process a rollover payment after we receive a completed Rollover Certification form.

Members interested in rolling over or transferring funds from another eligible plan should contact KTRS for details.

FULL ACTUARIAL COST

The methodology for calculating the full actuarial cost of service credit purchases is subject to periodic review by the retirement system's actuary and may be adjusted if necessary to ensure that the full actuarial cost is charged.

Note: All payments for service credit purchases, whether made in lump sum or by installment, are subject to a final reconciliation at the time of retirement to ensure that the member has paid the correct cost of the service. Overpayments by the member will be refunded and underpayments will require the member to pay any additional amount necessary to reflect the true cost of the service.

**EXAMPLE LETTER:
LEAVE OF ABSENCE**

RE: Member's Social Security Number
 Member's Name
 Member's Address

Dear _____

Your request for a leave of absence for the period beginning _____ and ending _____ has been approved. If you are interested in obtaining retirement credit for this absence, you should forward a copy of this letter, the enclosed copy of the board minutes granting this leave of absence and the enclosed form (Leave of Absence, LOA-1) to the Kentucky Teachers' Retirement System.

Contributions for a leave of absence must be made by the end of the school year following the year in which the leave of absence occurred. If this purchase is not made within this period, the credit cannot be purchased. Interest charges of 8% per year may be avoided by making the purchase during the school (fiscal) year in which the leave occurs.

Members on leave from federally funded positions must be sure that the employer's matching contributions are submitted by your employer at the time you make your payment.

Please contact the Kentucky Teachers' Retirement System at (800) 618-1687 if you have any questions.

Signature of Authorized School or Agency Official

Date

Phone Number

FRACTIONAL SERVICE/DAYS MISSED WITHOUT PAY

PROCEDURE

After the employer receives the KTRS printout of the Annual Report showing credit awarded to each member (see Chapter 5, "Employers Annual Report of Earnings"), a letter may be sent to members who qualify to purchase the balance of the fractional credit. Further responsibility then rests with the member.

The member would be given the letter appropriate to his or her circumstances.

NOTE: Members frequently complain that their employers did not let them know they were not getting a full year of retirement credit. This type of letter, when placed in the member's personnel file, would indicate effort was made.

As with all procedures, the member should maintain a copy of all correspondence concerning their retirement account. The member should also be aware that all follow-up responsibility lies with the member, not KTRS or the employer.

**EXAMPLE LETTER:
FRACTIONAL SERVICE/UNPAID DAYS**

RE: Member's Social Security Number
 Member's Name
 Member's Address

Dear _____

Kentucky Teachers' Retirement System Laws and Regulations provide that:

- (1) Members absent without pay for more than five (5) days in the contract year will receive fractional service credit unless they qualify to purchase the lost service;
- (2) Members absent without pay for less than five (5) days in the contract year will receive a full year of service credit. However, the salary credit will be reduced;
- (3) Any member who, as a regular full-time employee, started on the first day of the fiscal year and remained employed at least 70% but less than 100% of the school year, shall be entitled to purchase the balance of the year's credit for that year, provided the purchase is made by December 31 following the end of the school year in which the credit was lost;
- (4) The Kentucky Teachers' Retirement System calculates purchases made after June 30 of the school year, bearing interest at 8 percent (8%) per year and generally requires purchase by December 31.

Our records reflect you were absent without pay for _____ days and, therefore, lost \$_____ salary. However, you do apparently qualify to recover your lost service salary provided you act immediately.

If you wish to investigate this matter, contact _____ of our payroll office and obtain a copy of the Lost Service/Personal Contribution Certification form that must be submitted to Kentucky Teachers' Retirement System as documentation of your eligibility. This will then be submitted to KTRS for appropriate action or advisement.

Signature of Authorized School or Agency Official
School System or Agency

Date



Chapter

8

Installment Payments Through Payroll Deduction

Conditions of the Installment Payment Program

Entering into an Installment Agreement

Employer Remittance of Installment Payments to KTRS

Suspension of Installment Agreement Payments

Terminating Payroll Deduction Program Agreements

Payroll Deduction Program Completed Agreements

Report of Installment Payments Form

EMPLOYER RESPONSIBILITIES

The installment program requires that:

- employers return the signed installment agreement to KTRS;
- employers transmit the amounts deducted from the member's salary to KTRS;
- employers remit the member's installment payments by the start date specified in the agreement;
- employers notify KTRS if a member with an installment payment agreement is no longer employed; and
- that employers stop deductions from employee's salaries when the installment agreement has been satisfied.

Members with installment agreements to purchase service credit or to repay refunded service credit may make payments to KTRS with after-tax dollars via payroll deduction. Members may request that their employer make payroll deductions to remit their required payments under the terms of the contract if the member does not choose to have the payments remitted by bank draft.

Employers will be required to transmit the amounts deducted from the member's salary to KTRS.

Because these payments are after taxes, there are no records for state and federal tax reporting purposes that are the responsibility of the employer.

CONDITIONS OF THE INSTALLMENT PAYMENT PROGRAM

State and federal laws require the installment payment program to meet the following conditions:

- A member in active contributing status may purchase any service credit that the member is authorized to purchase by making installment payments in lieu of a lump-sum payment.
- To initiate an installment payment plan, the member must make a written request to KTRS for an estimate to purchase service credit by making installment payments.
- The installment agreement must require that the cost of service credit being purchased be at least one thousand dollars (\$1,000).
- Installment payments must be at least fifty dollars (\$50) per month and must be for a period of time not less than twelve (12) months or more than sixty (60) months.
- A member who selects service credit to be purchased by installment payments must fully pay for the current service credit being purchased before any other service credit can be purchased by installment payment.
- Installment payments will be made by payroll deduction or electronic fund transfer (bank draft) and forwarded separately to KTRS on "Report of Installment Payment" forms (see attachment) or by computer format no later than fifteen (15) days following the end of each month. The payments will be considered accumulated contributions and will not be picked up as provided in KRS 161.560.
- A member may elect to terminate payroll deductions at any time and purchase the remaining service credit with a lump-sum payment. Termination of employment in a KTRS-covered position will terminate installment payments. A member on a leave of absence may make personal installment payments via bank draft. If a different employer, in another covered position, subsequently employs the member, the member may reinstate the installment

payments. A member who misses two (2) consecutive installment payments will be in default. A member in default shall receive service credit on a pro rata basis for the total principal paid by installment payments, lump sum, or rollover. A member in default may not reinstate installment payments for twelve (12) months from the date the member was in default. However, installment agreements reinstating withdrawn accounts that have been defaulted can only be paid off with a lump-sum payment.

- If a member dies before completing scheduled installment payments, the named beneficiary of the member's retirement account may pay the remaining balance due by a lump-sum payment within thirty (30) days of the death of the member.

ENTERING INTO AN INSTALLMENT AGREEMENT

To participate in this program, the member must first establish an installment agreement with KTRS. An installment agreement may be established with KTRS if the member is eligible to purchase service credit or repay refunded service. Not all types of service credit are eligible for installment agreements.

When the member contacts KTRS about payroll deduction for installment agreement payments, KTRS will provide the member with information about repayment through payroll deduction along with various payment options. At the time the member elects to participate in this program, KTRS will prepare and forward to the member an Installment Service Purchase Agreement based on the member's instructions. After signing the agreement, the member will forward it to the employer for acceptance and signature. (See sample agreement at end of chapter.)

Note: When the employer signs an installment agreement, the employer must begin remitting the member's installment payments by the start date specified in the agreement. Installments are very similar to loans in that the payments must be received timely or interest continues to accumulate and more payments may be necessary to repay the agreement. Also, for nine-month employees, monthly payments must continue each month of the summer break.

The employer should review the agreement and verify the following information:

- The agreement has been signed and dated by the member and presented to the employer before the specified start date.
- The employer name and number as shown on the agreement are correct. If not, the correct employer name and/or number should be indicated on the bottom portion of the agreement.
- That the member's salary is sufficient to cover the monthly deduction and the deduction is at least \$50.
- The member is employed full-time.
- The member's payroll cycle is correct.

If all of the above information on the agreement is correct, the employer must sign the agreement and return the KTRS copy with the signatures of the member and employer to KTRS. This serves as notification that the member is participating in the payroll deduction program. The KTRS copy should be returned before the start date of the agreement and before taking any deductions.

If the monthly deduction amount or the payroll cycle has been changed, or the member has presented

the agreement to you after you have run payrolls for the first month of an agreement, return the agreement to the member and advise them to contact KTRS for a new Installment Service Purchase Agreement.

The member may cancel the installment agreement at any time by written notification. The member will receive service credit on a pro rata basis for the principal paid with installment payments.

EMPLOYER REMITTANCE OF INSTALLMENT PAYMENTS TO KTRS

As the employer, you are responsible for remitting to KTRS each month the total amount deducted from the participating members' salaries. This amount is due to KTRS within 15 days following the payroll date in which the deduction was made. You can remit these payments to KTRS by check or if you are participating in the KTRS EFT program, you are required to remit these payments electronically via the EFT system. See Chapter 4 for more information about the EFT program.

If you remit by check and have members who are enrolled in the payroll deduction program, you will receive a supply of remittance forms each fiscal year (one for each month, see next example) entitled "Report of Installment Payments." Use these forms to send in your monthly payments along with your R-1 forms. If you need more of these forms, they can be obtained via our website, www.ktrs.org/resourceEmp.htm. Select "Installment Form" from the list of forms.

Regardless of the remittance method used, please follow these guidelines:

- Remit the total amount owed for all participating members along with the "Report of Installment Payments" form and list the members and the amount of their payments.
- Do not send payments for a member before the member's enrollment date.
- If you generate July and August payroll checks in June, members who are paid over 12 months may receive their July and August payroll checks in June, or they may receive their July and August payroll checks in July and August. The remittance for the deductions from the July payroll checks is due to KTRS by August 10, and the remittance for the deductions from the August payroll checks is due to KTRS by September 10, regardless of when the deductions are taken. Do not prepay these amounts to KTRS. Deductions are based on the irrevocable payroll deduction agreement and are not related to the teaching contract or to when the salary is actually paid.

SUSPENSION OF INSTALLMENT AGREEMENT PAYMENTS

If a member is not receiving salary from the employer and is promised renewed employment at the end of the period or has the right of re-employment, the payments can be continued by the member via bank draft. An example of this situation would be a teacher going on a leave of absence or on temporary disability for a year or less. A member on a leave of absence may make installment payments by bank draft. Please notify KTRS if either this type of situation occurs or the member's status changes.

TERMINATING PAYROLL DEDUCTION PROGRAM (PDP) AGREEMENTS

Termination of PDP agreements occurs when all required payments have been made; upon the death, disability, or retirement of the member; or upon termination of the member's employment with the employer who entered into the agreement. As the employer, you should not make any payroll deductions after a member's retirement date or termination date. For example: Your school year ends on June 7. A teacher terminates or retires effective at the end of school on June 7. Your first payroll in June is run on June 14. Because the teacher's June 7 termination or retirement ended his or her payroll deduction agreement before the June 14 payroll run, you should not make any deductions under the agreement from the payroll run on June 14. The last deduction should be in May.

If you run your June, July, and August payrolls in June on or before the teacher's June 7 retirement or termination date, the **full** monthly deduction for **June** should be taken from the teacher's check and remitted to us by July 10; do not deduct for July and August. The June deduction should be made regardless of when the paychecks are issued to the teacher, the number of checks the teacher actually receives, or what dates the checks actually cover. Federal law requires that the **full** June monthly amount be remitted.

It is important that you notify KTRS when a death, disability, retirement, or termination of the member's employment occurs to end a member's payroll deduction agreement. If any of these situations occur, please contact KTRS at (800) 618-1687.

PAYROLL DEDUCTION PROGRAM COMPLETED AGREEMENTS

Approximately one to two months before the completion of the member's payroll deduction agreement, KTRS will notify you and the member of the final payment due dates and the amounts. As the employer, you are responsible for discontinuing the payroll deduction when the member's balance with KTRS is paid in full. It is important that you follow the information in the final payment letter.

Report of Installment Payments

Kentucky Teachers' Retirement System
477 Versailles Road
Frankfort, Kentucky 40601-3800
1-502-848-8640 or 1-888-891-2696

For KTRS Use

JV Number _____

Pay Date

Name of Employing Unit

Unit Number

Social Security Number	Name of Member	Installment Amount
	Total Installment Payments	
	Check Number	

Make Checks payable to the Kentucky State Treasurer.

I hereby certify that the sums reported above and transmitted with this form represent the complete and correct deductions from KTRS members making installment payments. I also certify that these monies are not tax sheltered.

I further certify that for each installment payment, an Installment Purchase Agreement has been filed.

Signature _____

Title

Chapter

9

Refunds

Refund of Retirement Contributions

Effect of Receiving a Refund

Transfer of Credit

Reinstatement of Refunded Account

Refunds Eligible for Rollovers

Taxability of Refunds

**Eligibility Requirements for a Refund upon Employment
Termination of Member**

Application Procedure

Eligibility Requirements for a Refund upon Member Death

Surviving Spouse

Direct Rollovers by a Surviving Spouse

**Direct Rollover Compared to Single-Sum Payment
Application Procedure**

**Non-spouse Beneficiary
Application Procedure**

Special Refunds

EMPLOYER RESPONSIBILITIES

Your responsibilities are two-fold for the active contributing member. One, you must certify that an active contributing member has ceased employment permanently before a refund will be issued. Two, you must certify the final salary, if either termination or death occurs in the current contract period.

REFUND OF RETIREMENT CONTRIBUTIONS

A member's retirement contribution is composed of the portion of the total contribution applied toward the cost of the retirement annuity plus interest earned on those monies. This amount appears in the Accumulated Contributions column on the Member's "Statement of Retirement Account." (See Chapter 14, Statement of Retirement Account).

EFFECT OF RECEIVING A REFUND

Members accepting a refund forfeit their rights to KTRS benefits. Members considering a refund may want to contact us for an estimate of potential retirement and survivor benefits being forfeited by accepting the refund and for any special tax consequences that may apply. If a member leaves a KTRS-covered position and chooses not to receive a refund, the member's contributions will remain with KTRS and will eventually provide a retirement benefit if the member has at least five years of Kentucky service (See Chapter 11, Retirement Benefits). Members with fewer than five years of service credit are eligible to receive a single-sum payment at any age. Inactive member's accounts do not accumulate interest after three years of inactivity.

TRANSFER OF CREDIT

KTRS cannot transfer creditable service (and the funding for that service) directly to a retirement system in another state. However, many retirement systems permit purchase of out-of-system service. We will provide the other system with verification of Kentucky teaching service if the member accepts a refund and sends us a written request. A member may then make payment for service directly to the other system, if this is required, or request a rollover of refundable contributions. (See "Refunds eligible for rollovers.")

REINSTATEMENT OF REFUNDED ACCOUNT

A member may repay the refund, together with interest from the date of the refund to the date of the repayment. However, service credit that was previously forfeited by taking a refund may not be used as a basis for payment of benefits until the member completes one year of KTRS creditable service following the refunded service. Repayment of the refund is permitted under the provisions of the Kentucky Revised Statutes (KRS 161.470(3)) after the member completes at least one year of service

with a reciprocal system following the date of the refunded service credit. (See Chapter 7, Purchase of Additional Service Credit.)

The refund repayment and employment requirements must be completed before the member's retirement, death, or the commencement of disability benefits.

REFUNDS ELIGIBLE FOR ROLLOVERS

Refund payments may be either made directly to the member or made in a direct rollover to an eligible retirement plan specified by the member. In a direct rollover, the eligible rollover distribution (the taxable portion) is paid directly from KTRS to a traditional individual retirement account (IRA) or another qualified retirement plan that accepts rollovers. Federal law requires that refund payments made directly to the member be subject to a mandatory 20 percent withholding. Members may avoid this mandatory withholding rule by using a direct rollover method of distribution. In addition, if the member chooses a direct rollover, the distribution is not taxed until it is withdrawn from the IRA or other qualified retirement plan.

TAXABILITY OF REFUNDS

That portion of a member's refund that is attributable to contributions made after January 1, 1998, is subject to the Kentucky Individual Income Tax. The 1099R issued by KTRS will provide the amount to be used in calculating the member's Kentucky Tax Liability. However, any portion of the refund attributable to contributions made by either the member or employer that were excluded from the member's taxable income in the years the contributions were made is subject to federal income tax.

To aid our members, correct and complete applications received before the close of business on June 1 will be processed in the current fiscal year. Refund applications received after June 1 will be processed in the next fiscal year. Since interest is posted to members' accounts on July 1st, members refunding after June 1 will receive a larger refund.

Refund recipients will be notified of the taxable portion of their refunds. We also will report the refund payment to the Internal Revenue Service and the Kentucky Revenue Cabinet on IRS Form 1099-R and will send the refund recipient a copy of this form in January in the year after the refund is taken. Special tax consequences and penalties may apply to refund payments. Members should consult a professional tax consultant for details of the taxability of refunds.

Additional information is also contained in Internal Revenue Service Publication 575, Pension and Annuity Income. To obtain this publication, visit the IRS Web site, www.irs.gov or call (800) 829-3676 and the Kentucky Revenue Cabinet's Web site at www.revenue.state.ky.us.

KTRS refunds are generally made under two circumstances:

- (1) A member terminates employment; or
- (2) the member (active or retired) dies.

ELIGIBILITY REQUIREMENTS FOR A REFUND UPON EMPLOYMENT TERMINATION OF MEMBER

(KRS 161.470) Members may receive a refund if they terminate employment with a KTRS employer. 102 KAR 1:060 requires that a member not be under a contract for employment in a KTRS-covered position. The member and the employer must certify that the member's termination of employment is permanent.

A member who is on sick leave, a sabbatical, or an unpaid leave of absence is not considered to have terminated service and, therefore, is not eligible for a refund. A member transferring from one KTRS employer to another is also not eligible for a refund. A member under a contract or plan to be employed in a KTRS position the following year is not eligible to apply for a refund at the close of the school year.

If the member is eligible for an immediate retirement allowance provided by KRS 161.600, then a refund will not be permitted unless the member's KTRS annuity would make the member ineligible for Social Security benefits. Members who are eligible for retirement may refund, under certain conditions, all/part of their KTRS service to obtain service credit in another retirement plan.

This refund consists of the member's retirement contributions plus interest earned on those monies. The contribution to the Teachers' Medical Insurance Fund (MIF) is not refundable.

EMPLOYER RESPONSIBILITIES

Employers must complete Part B of the Refund Application (Form 11). The refund application should not be completed until the employer has paid the KTRS member their final compensation. It is very important that the employer accurately complete this section since the employee's refund will be based on this information. If the employee is overpaid because of incorrect employer data, then the employer is responsible for the amounts incorrectly paid to the employee.

APPLICATION PROCEDURE

To obtain a refund, a member must file a Refund Application (Form 11) with us. The application is available through our KTRS Information Center, (502) 848-8660, or our Member Services Division, (800) 618-1687. Completed applications must be returned to our office. We will process the refund and forward it to the Kentucky State Treasurer for payment.

Properly completed applications are processed twice each month. Average processing time is two to four weeks. Refund checks are mailed around the 15th and 30th of each month.

ELIGIBILITY REQUIREMENTS FOR A REFUND UPON MEMBER DEATH

(KRS 161.520 - 161.525) Under certain conditions, the member's beneficiary or estate may receive a refund of the member's account balance upon the member's death (See Chapter 13, Benefits Payable upon Death). When this occurs, there are options available to the surviving spouse that are not available to a non-spouse beneficiary.

SURVIVING SPOUSE

A beneficiary who is a surviving spouse of a deceased member may (1) elect to roll over the taxable portion of a lump-sum payment and thereby defer taxation until the amount rolled over is later received or (2) elect to receive a single-sum refund. A surviving spouse can either request that KTRS make a direct rollover or elect to receive the payment and then roll it over within 60 days. However, if a direct rollover is not requested, a mandatory 20 percent of the taxable portion of the payment must be withheld.

DIRECT ROLLOVERS BY A SURVIVING SPOUSE

Surviving spouses who are entitled to receive a payment eligible for rollover may elect a direct rollover. In a direct rollover, KTRS pays the taxable portion of the payment directly to an eligible plan, account, or annuity on the behalf of the surviving spouse. The amount rolled over is not subject to income tax until it is distributed from the eligible plan, account, or annuity. A surviving spouse who wants a direct rollover should contact an eligible plan, account, or annuity sponsor (usually a financial institution) to determine whether it will accept a direct rollover and if so, how to have the payment paid in a direct rollover to the plan at that institution. A surviving spouse who is unsure of how to invest the money can temporarily establish an IRA to receive the payment. However, in choosing an IRA, consideration should be given to whether the traditional IRA will allow a transfer of all or part of the money to another eligible plan, account, or annuity at a later date without penalties or other limitations. See IRS Publication 590, Individual Retirement Arrangements, for more information regarding IRAs. Before a direct rollover is made, both the surviving spouse and the financial institution that is to receive the rollover must certify to KTRS that the financial institution is eligible to and will receive the direct rollover.

Please note: The nontaxable portion of a member's account cannot be rolled over. For this reason, the nontaxable amount will automatically be paid directly to the surviving spouse.

Other considerations

If a direct rollover is not elected, the amount that could have been directly rolled over will be subject to mandatory 20 percent federal income tax withholding requirements.

If the taxable portion of the payment is less than \$200, it is not eligible for a direct rollover and is not subject to 20 percent federal income tax withholding.

If the taxable portion of the payment is more than \$500, the surviving spouse may elect to receive part of the payment and have the balance directly rolled over into an eligible plan, account, or annuity; however, the direct rollover must be at least \$500.

If the taxable portion of the payment is less than \$500 and greater than \$200, the surviving spouse must either receive 100 percent or have 100 percent of the taxable portion directly rolled over.

The portion, if any, of a payment that is a "required minimum payment" under federal law cannot be rolled over.

DIRECT ROLLOVER COMPARED TO SINGLE-SUM PAYMENT

If a surviving spouse receives a payment in lieu of a direct rollover to a traditional IRA, the surviving spouse may still roll over all or part of the taxable portion of the payment including the amount withheld if the surviving spouse has other funds available to make up the difference. However, the rollover must occur within 60 days of receipt of the payment.

For example, assume the surviving spouse is eligible to receive a taxable distribution of \$10,000 and elects to receive the entire amount. The surviving spouse will actually receive only \$8,000 because \$2,000 (20 percent) is withheld for federal income tax. Within 60 days after receiving the payment, the surviving spouse may elect to roll over the entire \$10,000 to an IRA. To make the rollover, the surviving spouse must find \$2,000 from other sources (e.g., savings, loan). In this case, the \$10,000 is not taxed until withdrawn from the IRA. However, if the surviving spouse rolls over only \$8,000, the \$2,000 is taxed in the year it was withheld.

If the surviving spouse elects to receive a single-sum payment, the taxable amount received is subject to mandatory 20 percent federal income tax withholding. For example, if the surviving spouse is entitled to a taxable payment of \$10,000, only \$8,000 is paid because KTRS must withhold \$2,000 for federal income tax. However, when the surviving spouse prepares his or her tax return, the full \$10,000 is reported as the taxable payment. The \$2,000 is reported as tax withheld and will be credited against any income tax owed for that year.

APPLICATION PROCEDURE

A surviving spouse must file a Refund Application (Form 12AA or 12AR) and the optional rollover paperwork with us. The application and rollover designation is available through our KTRS Information Center, (502) 848-8660, or our Member Services Division, (800) 618-1687. Completed paperwork must be returned to our office. Once all completed paperwork is received, we will process the payments and forward the requests to the Kentucky State Treasurer for payment.

Properly completed applications are processed twice each month. Average processing time is two to four weeks. Checks are mailed around the 15th and 30th of each month.

NON-SPOUSE BENEFICIARY

Direct rollovers are not available to non-spouse beneficiaries. Lump-sum payments to a non-spouse beneficiary of a deceased member are not subject to mandatory 20 percent withholding for federal income tax. Withholding tax on a distribution to a non-spouse beneficiary is voluntary. We highly recommend that the recipient withhold at least 10 percent.

APPLICATION PROCEDURE

The non-spouse beneficiary must file a Refund Application (Form 12A or 12R) with us. The application is available through our KTRS Information Center, (502) 848-8660, or our Member Services Division, (800) 618-1687. Completed applications must be returned to our office. We will process the refund and forward it to the Kentucky State Treasurer for payment.

Properly completed applications are processed twice each month. Average processing time is two to four weeks. Checks are mailed around the 15th and 30th of each month.

SPECIAL REFUNDS

Occasionally refunds are processed to correct errors of incorrect submission of monies to KTRS. Some of the reasons for these refunds are:

1. Refund because the member's payment exceeded the amount necessary;
2. Refund because employer incorrectly reported contributions on the original refund application form;
3. Refund because the member is ineligible for membership in KTRS;
4. Refunds because the member wishes to transfer partial credit to another state; and
5. Refund of excess member contributions - Final salary exceeded average salaries of other teachers in the district.

KTRS must receive a written explanation and documentation of the monies remitted in error. Upon review by KTRS, a "Special Refund Authorization" is prepared and processed. Special refunds are payable to the employer who is responsible for correcting tax forms for the individual.



Chapter

10

Post-Retirement Matters

Break-in-Service Rules

Waivers

One Hundred-Day Employment Program

Returning to Work in Full-time Employment

**KTRS Retirees Employed in Part-Time Positions or as
Substitute Teachers**

EMPLOYER RESPONSIBILITIES

The employer is responsible for reporting retirees who return to work, ensuring that they complete a new KTRS membership application (Form F-1 RET), which can be found on the KTRS web site. It is imperative the employers know and understand legislation concerning retirees returning to work to prevent penalties being imposed on the members.

KTRS retirees have a number of options to consider whenever they want to return to work in a KTRS-covered position after retirement. The current options for the retirees returning to work are: (1) waiver, (2) 100-day employee {restricted to members retired as of June 30, 2002}, (3) full-time program, and (4) part-time program.

In each of these scenarios, the retirees' earnings are subject to KTRS contributions. The tax-sheltered contributions are the same rate as active employees (9.855%). Service credit is also earned based on the number of days worked out of a normal contract period for the position in which the employee was working. Employers report the retirees' earnings on the KTRS Annual Employer's Report along with the earnings of their active employees. (See Chapter 5, Annual Reporting)

Retirees who are re-employed in a KTRS-covered position on or after July 1, 2002, will contribute to a second retirement account and earn service credit toward a second benefit. Each retiree will be required to complete a membership application to support the second retirement account, which includes naming a beneficiary for this account. The service credit multiplier will be 2.0% for the first 9.99 years service in the retiree's second account. After 10 years service in the second retirement account, all years service will have a service credit multiplier of 2.5%.

Service credit is earned for days worked. After receiving five years of service credit, a member will have vested retirement benefits. Retirees are not eligible for additional medical benefits, survivor benefits, disability benefits, or life insurance benefits beyond those earned in the first account.

Members who are not vested or who **permanently terminate** their employment may refund their retirement account plus any accumulated interest. Refunds will be made within 90 days of posting the annual reports from school districts/employers. Annual reports are usually posted to member accounts in early September with requested refunds then being processed by December. (See Chapter 9: Refunds.)

BREAK-IN-SERVICE RULES

Legislation passed by the 2002 Kentucky General Assembly requires all new retirees (effective July 1, 2002) to experience a break in service with their previous employer before returning to work either part-time or full-time in a KTRS position. July 2002 retirees returning to work in the 100-day program are exempt from this requirement. This break in service protects the actuarial soundness of the System and is required by the Internal Revenue Service in order for the retirement event to be meaningful. All new retirees who desire to return to work on a **part-time or substitute basis** must experience at least a three-month break before returning to covered employment in a KTRS position.

Part-time/substitute employment is defined as employment for less than seven tenths (.7) of the contract days remaining in the position for which you are being employed. For a normal 185-day employee, this means that they can return to work 129 days. If the employee was hired on January 1 in a 185-day position with 92 days remaining in the contract period, the retiree could only work 64 days in the school year.

All new retirees who desire to return to full-time employment must experience a minimum three-month break in service before returning to work with a different employer or must experience a break in service of one year before returning to work full-time with the same employer. Full-time employment is defined as employment equal to or greater than seven-tenths of the contract days remaining in the position for which you are being re-employed for the remainder of that school or contract year. **Retirees who do not experience the necessary breaks in service will be subject to having their initial retirement application voided.** KTRS retirees who retired during the previous fiscal year are also subject to the same break-in-service requirements before returning to covered employment in a KTRS position in the new part-time and full-time programs this fiscal year. KTRS retirees who retired before July 1, 2001, have been deemed to experience the necessary break in service.

Examples: Teacher A's last date of employment is June 30, 2003. Teacher A wishes to return to work with their present employer and plans to work 129 days out of the 185-day school year. Teacher A must experience a three-month break in service with their current employer. Teacher A returns to work on October 1, 2003 and works 129 days as a teacher. Because Teacher A met the break-in-service requirements, she can work and receive a KTRS retirement benefit at the same time. If Teacher A had returned to work in September 2003, she would have voided her retirement. In doing this she would have been required to reimburse KTRS the retirement annuity she received in July, August and September.

Suppose Teacher A had to return to work full-time with the same employer. She would have been required to have a break in service of one year before returning to work. Therefore, Teacher A could not have returned to work until July 1, 2004. If Teacher A wanted to return to work full-time with a different employer, she could have returned to work on October 1, 2003.

WAIVERS

A retiree who returns to employment as a waiver temporarily forfeits their retirement annuity while they are employed. If the period of employment is for one full contract year or more, KTRS members may elect to have their initial retirement benefit re-calculated using the salaries and service credit earned while on waiver.

All KTRS retirees are reminded that when they return to active employment and are eligible for coverage through the State Group Health Plan administered by the Kentucky Personnel Cabinet, they are required to waive their KTRS medical insurance coverage. Termination of the active employment is considered a qualifying event that permits the member to once again enroll through KTRS for medical insurance. The remaining return-to-work options for retirees place restrictions on either the number of days the retiree can work or the amount the retiree can earn on a daily basis. In addition, the retiree must have experienced a break in service between active employment and the date they return to work after retirement.

ONE HUNDRED-DAY EMPLOYMENT PROGRAM

This program is only available to retirees who were retired as of July 1, 2002. These retirees can elect either the 100-day employment program or choose the full-time or part-time employment program. Upon returning to work, retirees are required to complete a new retiree membership application (Form F-1Ret), which requires them to elect to work under either the 100-day program or the full-time/part-time re-employment programs.

Retirees opting to work under the 100-day program are limited to working 100 days in each fiscal year. Employers are required to keep track of the hours each retiree works each day in the school year. Hours worked in a day less than 3.5 counts as a half day, whereas time over 3.5 hours counts as a full day. Retirees are eligible to work as substitutes under the 100-day program (as well as the part-time program).

If a retiree member elects to work under the new full-time or part-time program, they cannot elect to work as a 100-day employee.

The break-in-service rules do not apply to retirees who are eligible for the 100-day program. The employer reports this information to KTRS on a Retiree Employment Report (Form 30) at year-end. **It is important to note that the days reported on the Form 30 report will more than likely be different from the days paid information reported on the Employer's Annual Report of Earnings.** This program will not be available upon its termination, effective June 30, 2007.

RETURNING TO WORK IN FULL-TIME EMPLOYMENT PROGRAM

The number of retired KTRS annuitants that each KTRS employer can re-employ in full-time positions is limited to 4% of each employer's active full-time non-retired KTRS membership. Additionally, KTRS must provide prior written approval to the employer of each retired KTRS annuitant employed in the new 4% full-time program.

Retirees returning to work in a full-time position have restrictions placed on their earnings. This limit, called the Daily Wage Threshold (DWT), is determined on a daily basis. The DWT represents the maximum daily rate of pay that the retiree may earn on a daily basis by virtue of their return to covered employment without experiencing a reduction in their KTRS annuity payment. The DWT is 75% of the retiree's last daily rate of pay before their initial retirement date for those retirees who retired with thirty (30) or more years of service. All KTRS retirees with a retirement date before August 1, 2002, have a DWT of 75% of their last annual compensation measured on a daily rate.

The DWT is set by statute at 65% of the retiree's last daily rate of pay before their initial retirement date for those retirees who retired after July 1, 2002, with less than 30 years service. The DWT is increased by the Consumer Price Index (CPI) on an annual basis for those retirees who have been retired for one year or more. KTRS retirees who have questions about the break-in-service requirements and/or their daily wage threshold should contact KTRS before returning to covered employment.

KTRS RETIREES EMPLOYED IN PART-TIME POSITIONS OR AS SUBSTITUTE TEACHERS

Beginning July 1, 2002, KTRS service credit is awarded to all retired part-time employees and substitute teachers. Retirees employed in these positions are subject to the DWT earning restrictions as well.

If the retiree chooses to return under the extended provisions of the **Part-time Program** or the **Full-time Program**, one item of compliance with the conditions of re-employment is the 75% or 65% Daily Wage Threshold. If the retired member's salary exceeds the Daily Wage Threshold, the member will have been overpaid. Their retirement benefit and future benefits are reduced on a dollar-for-dollar basis for this overpayment. **(KTRS encourages retired members wishing to return to work under the Part-time Program or the Full-time Program to contact KTRS to receive a calculation of their Daily Wage Threshold.)**

Employers are reminded that the break-in-service rule for retirees returning to work in either the Part-time or Full-time Programs is a minimum of 3 months for returning to work with a different employer and 1 year if returning to the same employer full-time. Failure to adhere to break-in-service rules could void the retiree's retirement, so employers should work with their retired employee to ensure compliance with these rules.

Please contact KTRS if you have additional questions. You can locate relevant information on our web site at www.ktrs.org or you can call 1-800-618-1687

Retirement Benefits

Types of Retirement Benefits

Unreduced Benefit

Reduced Benefit

Reciprocal Service

Retirement Application

Benefits

Direct Deposit

Mailing Address

Taxes

Options

Instructions for Completing Section VII of the Retirement Application

Instructions for Completing Section VIII of the Retirement Application

Special Rules for August Retirements

EMPLOYER RESPONSIBILITIES

1. Encourage the member to review the KTRS SUMMARY PLAN DESCRIPTION (See KTRS web site www.ktrs.org) for a general knowledge of their retirement program.
2. Answer any questions they may have and refer issues that you cannot answer to the KTRS Member Services Division.
3. Encourage young employees to think ahead, even though retirement is usually far from their top priority. It is never too early to plan for retirement.
4. Advise your employees to carefully review their Annual Statement of Retirement Account before retirement and to notify the KTRS of any apparent errors.
5. Encourage members to participate in a KTRS pre-retirement seminar within three to five years before expected retirement.
6. Advise members to attend a KTRS retirement group meeting about one year before retirement.
7. Advise members to either visit the KTRS web site www.ktrs.org or call KTRS at (800)-618-1687 to obtain an estimate of their retirement benefits

TYPES OF RETIREMENT BENEFITS

KTRS provides two types of retirement benefits. They are an **unreduced benefit** and a **reduced benefit**. A member must be vested in order to qualify for either benefit. A member is considered as vested upon earning 5 years of Kentucky service credit. The retirement benefit is paid on a monthly basis.

UNREDUCED BENEFIT

A member qualifies for an unreduced benefit one of two ways:

- (1) Member has earned 27 years of Kentucky retirement service credit, regardless of age.
- (2) Member has earned 5 years of Kentucky retirement service credit and attained the age of 60.

REDUCED BENEFIT

A member qualifies for a reduced benefit if the member has earned at least 5 years of Kentucky retirement service credit **and** attained the age of 55. The reduction rate is the lesser of either 5% for each year the member's age is less than 60 or 5% for each year the member's total service credit is less than 27 years.

Regardless of the retirement benefit received, the retirement date is always effective the first day of the month. To be eligible to receive a monthly retirement benefit from KTRS, a member must terminate KTRS-covered employment and file a retirement application prior to the first of the month for which the retirement is to be effective. **However, a July 1 retiree must have their retirement application filed by June 1.**

RECIPROCAL SERVICE

(KRS 161.600) Members who have service in more than one public retirement system in Kentucky may qualify for additional retirement and survivor benefits by selecting a reciprocal retirement. The Kentucky Revised Statutes allows members to use service credit in each system to the maximum advantage.

Reciprocity offers the following advantages:

- ♦ Service credit in any of the reciprocal systems may be used to meet service qualification requirements for a pension.
- ♦ The highest final average salary earned is used by each of the reciprocal systems to calculate the retirement benefit. This practice usually results in a higher benefit.
- ♦ Members may reinstate refunded service at a reciprocal system once they have established one year of service credit at another reciprocal system.

RETIREMENT APPLICATION

The retirement application may only be obtained from the KTRS office in Frankfort. A member may request the application in writing, by telephone, or by contacting the KTRS website at www.ktrs.org. The application will be mailed to the member's listed address within 7 to 10 business days from receipt of the request by the KTRS office.

Upon receipt of the retirement application, the member is responsible for completing Sections I through VI. The employer is responsible for completing Sections VII and VIII. **No application should be completed by an employer prior to Sections I through VI being completed by the member.** A copy of the application and detailed instructions for completion are located at the end of this chapter.

Please note: Members should contact KTRS at least 6 months before their expected retirement date to determine that all required documentation (social security cards, birth certificates, marriage certificates) is complete.

BENEFITS

Upon approval of the member's retirement application, they will receive their monthly benefit. The first annuity payment should reach the member within approximately 30 days after receipt of all the completed forms and any payments owed KTRS. Payments are mailed from KTRS near the end of each month. A schedule showing the annuity payment dates is sent to retirees with their final acknowledgement letter and each January thereafter. This information is also on the KTRS web site.

The benefit amount is based on the retirement service credit earned, the retirement option selected, and the average of the highest 3 or 5 years salaries earned. Each July 1, KTRS provides the member with an annual increase of 1.5%. The increase is prorated for members who retire on a date other than July 1 based on the number of months the member has been retired in the fiscal year.

DIRECT DEPOSIT

Retired members, beneficiaries, and members receiving disability benefits **are required** to have annuity payments electronically deposited into an account with their bank or financial institution. Members authorize direct deposit of their annuity payments by completing Section 4 of the retirement application.

MAILING ADDRESS

All KTRS members and annuitants should keep a current home address on file with KTRS so that correspondence and tax information can be mailed to their homes, even if they take advantage of the direct deposit arrangement. A change of address should bear the member or annuitant's Social Security number and be received by KTRS before the 10th of the month in order to reflect the change on the next annuity payment.

Changes to members' direct deposit information must be received by the 15th of the month for a change to be effective at the end of the month.

TAXES

Federal income taxes are required to be paid immediately upon retirement on the portion of the retirement benefit that has been tax-sheltered. If a member made contributions to their retirement account prior to August 1982 or made personal payments, they may exclude a small portion of their retirement benefit from taxation over their expected lifetime or that of their beneficiary. KTRS will withhold federal taxes on the taxable portion of the retirement benefit.

The retirement benefit is subject to Kentucky income taxes, but not all retirees will be affected. Under current statutes, the years of employment after January 1, 1998, are divided by the total years of service credit earned. This percentage is the portion of the retirement benefit subject to Kentucky income taxes. However, the amount must exceed a certain dollar figure before income taxes will be paid. This dollar figure increases yearly. Refer to Kentucky Form 740, Schedule P, and Kentucky Revenue Cabinet's web site (www.revenue.state.ky.us) for additional information.

All members receiving benefits from KTRS receive a 1099R, Statement for Recipients of Annuities, Pensions, Retired Pay, or IRS Payments. This statement shows the member's total benefits received, taxes withheld, and taxable income for the preceding year. This statement also reports information regarding the member's Kentucky Taxable Income.

OPTIONS

Selecting a retirement option is an important decision requiring careful study regarding future financial commitments. KTRS is available to members to assist them in making the best decision based on their individual needs.

Option I – Straight Life Annuity with Refundable Balance

The Straight Life Annuity (SLA) provides maximum benefits over the lifetime of the member with annuity payments ceasing upon death. If, at death, the total monthly payments are less than the account balance at retirement, a lump sum settlement will be made to the estate or the beneficiary provided there are no dependents to be supported.

If a member marries or remarries after retirement, they may change their annuity to a Joint-Survivor annuity. A copy of the marriage certificate must accompany the application for this option. The effective date for this annuity will be the first month following receipt of the application at KTRS. This type of annuity pays less monthly but will continue to be paid to the spouse after the death of the member.

Option II – Ten Year Certain and Life Thereafter

This option guarantees that either the member or the beneficiary will receive a monthly annuity for the first 10 years of the member's retirement. If the member survives the 10 years, they will receive the same annuity for life but the beneficiary will receive nothing after the member's death.

This option is useful for the member whose health at retirement is expected to reduce their life expectancy. If the beneficiary predeceases the member before the 10-year period expires, the member may name another beneficiary.

Option III – Joint-Survivor Annuity

This option provides payments for two full lives. Both the member's and the beneficiary's ages are taken into account. The annuity paid will be less than that of the SLA so that the beneficiary, at the time of the member's death, will be provided with a lifetime annuity equal to the member's annuity. Joint-Survivor is useful when the member feels that the beneficiary will still need two incomes to maintain their same lifestyle after the member's death.

In the event of divorce, annulment, or the dissolution of marriage, the member may return to the SLA plan. The return to the SLA plan must be done within 60 days of the divorce. If the beneficiary predeceases the member, the member will continue to receive the same reduced annuity.

Option III (a) – Joint-Survivor Annuity with "Pop-Up" Option

This option extends the benefit of Option III. Should the beneficiary predecease the member, the member's annuity will increase to the SLA amount. The change in annuity will take effect the first of the month after the beneficiary's death. If the member remarries after the death of the beneficiary, they may select another option (within 60 days of the date of marriage) to provide for the new spouse. The annuity will then be adjusted according to the plan chosen.

Option IV – Joint-Survivor Annuity One-Half Benefit to Beneficiary

Just like the Joint-Survivor Annuity, members elect a reduced lifetime annuity to provide a lifetime annuity for their beneficiary upon their death. The reduction is not as much as the Joint-Survivor Annuity because the beneficiary only receives one-half of the member's annuity at the time of their death.

Option IV (a) – Joint-Survivor Annuity One-Half Benefit to Beneficiary with “Pop-Up” Option

This option extends the benefit of Option IV. Should the beneficiary predecease the member, the member's annuity will increase to the SLA amount. The change in annuity will take effect the first of the month after the beneficiary's death. If the member remarries after the death of the beneficiary, they may select another option (within 60 days of the date of marriage) to provide for the new spouse. The annuity will then be adjusted according to the plan chosen.

**INSTRUCTIONS FOR COMPLETING SECTION VII
OF THE RETIREMENT APPLICATION**

This section provides KTRS the salary breakdowns for the three previous fiscal years. The information in this section is used for monitoring a member's salary increases per KRS 161.220 (9) and (10). You are not providing KTRS with the salaries to be used in the retirement calculation, as the members believe. The following numbered items correspond to the numbers in the blanks on the copy of the retirement application included with this chapter.

1. The fiscal year for the information provided.
2. The rank held by the member. Agencies and universities: Please put position held.
3. The years of service on the salary schedule on which the individual is being paid.
4. The date a member's raise in salary is effective. This will not be used by local school districts.
5. The member's salary as listed on the salary schedule for their rank and experience.
6. The number of days in a member's contract. For most teachers, this is 185. Other employees could be 200, 225, 240, etc.
7. This will normally be the same salary as Number 5. However, if the member missed days without pay, this would be the salary earned for the actual days paid.
8. These are the days that are above the normal 185-day contract. A member with a 240-day contract would have 55 entered in this blank.
9. Daily rate calculated by dividing Number 5 by 185.
10. This represents Number 8 multiplied by Number 9.
11. Any additional salary earned by the member. This could include summer school, ESS, coaching, principal stipend, etc. **All additions must be itemized by position and the salary associated with each.**
12. Total salary earned for Number 11.
13. Total salary earned for the fiscal year.
14. Signature of the individual completing this section.
15. Title of the individual completing this section.
16. Telephone number of the individual completing this section.

NOTE: Always keep a copy of the data submitted to KTRS for your records.

Instructions for Completing Section VIII of the Retirement Application

This section provides KTRS with the salary earned in the fiscal year in which the member is retiring. The information reported here is used to calculate the member's retirement benefit. In some cases this information will be provided prior to the member's last day of employment. Employers will complete the section as if the member will work all the days prior to their retirement date.

1. Full name of the member retiring.
2. Social security number of the member retiring.
3. Fiscal year for which the information applies.
4. Employing school district, agency, or university.
5. Number of days the member is required to work in their contract. Most teachers are 185 days. Administrators may be 200, 225, 240, etc.
6. Salary the member will receive for the entire fiscal year based on their contract days.
7. Member's daily rate. This is found by dividing the contract salary by the contract days. For agencies such as the Dept. of Education, please put the monthly salary.
8. Number of days the member will be paid prior to the retirement date.
9. Salary earned for the days worked.
10. Contributions withheld on the salary earned.
11. Number of days without pay **before** the retirement date.
12. Daily rate used for the calculation of sick leave payout. For employers in which the member earns service credit, please leave blank.
13. Percent of daily rate that is being used to calculate sick leave payout. For employers in which the member earns service credit, please leave blank.
14. Number of days or hours that member is receiving pay or service credit.
15. Salary being paid for unused sick days.
16. Contributions withheld on the sick leave payout.
17. Daily/hourly rate paid for each unused annual day.
18. Days/hours of annual leave being paid.
19. Salary receiving for annual leave days.
20. Contributions withheld on salary for annual leave days
21. Additional duties itemized.
22. Daily/hourly rate paid for additional duties. This is used only if the additional duties are not a fixed salary.
23. Days/hours for the additional duties. This is used only if the additional duties are not a fixed salary.
24. Total salary earned for additional duties.
25. Contributions withheld on salary for additional duties.
26. Total salary earned for the fiscal year.
27. Total contributions withheld for the fiscal year.
28. Initials of the person answering the question regarding a retirement incentive.
29. Last **actual** day of employment. This is very important since this date will be used to determine when a retiree's break in service for future employment begins.
30. Date the member's retirement will be effective. This date **must** match the date of retirement the member has placed in Section VI and **must** always be the first day of the month.
31. Date the application is completed by the employer.
32. Signature of the individual completing this section.
33. Title of the individual completing this section.

If any changes occur after the application has been submitted to KTRS, the employer should submit a "Corrected Copy" of Section VIII as soon as possible. This copy must have the date of the changes and the initials of the individual making the changes. All changes that occur must be notated. The employer may not just change the total salary and total contributions withheld. For example, if the days worked or sick days change, then the number in 8 or 14 should show the change.

SPECIAL RULES FOR AUGUST RETIREMENTS

The employer **must** complete two Section VIII's. One provides KTRS with the salary information for the fiscal year just ended June 30. The other provides KTRS the salary earned in the month of July.

NOTE: Always keep a copy of the data submitted to KTRS for your records.

Disability Benefits

Types of Disability Benefits Available

Entitlement

Employment

Medical Review Committee

Application for Disability Retirement

Effective Date

Calculation of Benefits

Continuing Status

Taxability of Disability Benefits

Life Insurance Benefits

Survivor Benefits

EMPLOYER RESPONSIBILITIES

KTRS employers should notify KTRS immediately if they become aware that a KTRS disability annuitant returns to covered employment. The section of the KTRS Disability Application requiring certification of income should be completed accurately and returned promptly to KTRS. Please remember that members applying for disability retirement cannot receive pay for any days after the requested disability retirement date.

TYPES OF DISABILITY BENEFITS AVAILABLE

KTRS offers disability retirement benefits to full-time members who have at least five years of service credit and become disabled. Part-time and substitute members must have at least five years of service credit and have worked at least 45 days into the fiscal year before becoming eligible to apply for disability retirement. Members with less than five years of service credit may receive disability benefits only if they become mentally or physically disabled due to a work-related injury. Members who have 27 or more years of service credit are allowed to apply for service retirement only.

ENTITLEMENT

Members on disability retirement accrue service credit called entitlement that is added to the member's account either at the time they return to work or the time their disability retirement is recalculated. The maximum entitlement credit that can be accrued is five years; however, total service credit when entitlement service credit is added cannot exceed 27 years.

EMPLOYMENT

Members receiving disability retirement benefits are prohibited from being employed in any job that requires the same duties or qualifications as any job normally covered under KTRS. They are also prohibited from being employed in any job that makes them eligible for membership in any other publicly-funded retirement system.

A member may have other employment while on disability retirement; however, there are definite limitations on the amount of income the member can earn through outside employment. The member should discuss this earning limitation with a KTRS disability retirement counselor.

Members are required to notify KTRS when they are able to resume employment. The member must then supply KTRS with a letter from the employer stating the date of return to work and a letter of release from a licensed physician. These documents are required in order for KTRS to add disability entitlement service credit to the member's account. Employers are required to notify KTRS if they are aware that a member has returned to active employment but is still drawing a disability retirement benefit.

MEDICAL REVIEW COMMITTEE

An impartial Medical Review Committee consisting of three (3) licensed physicians reviews the member's statement and all medical information submitted by the member's physician(s). The committee then makes recommendations to the Board of Trustees for final disability determination. The member and employer will be notified when the Board makes the final disability determination.

To substantiate a member's continued eligibility for disability benefits, KTRS requires the member to submit up-to-date medical information from their physician(s) periodically. The member must also submit detailed financial information in order to document any outside income.

Failure to submit requested medical and employment information will result in a suspension of benefits.

APPLICATION FOR DISABILITY RETIREMENT

Members who wish to apply for disability retirement should contact KTRS with their employment status and current fiscal year salary. The member's eligibility will be verified and a KTRS staff member will supply them with the application forms and detailed instructions. In order to qualify for disability retirement, a member's disabling condition must be expected to last at least 12 months.

The member should complete their sections of the Application for Disability Retirement (Form F-21) and then take it to the employer for certification of salary and sick leave. The employer should have authorized personnel complete both Sections VII – Worksheet to Reconcile Reported Earnings for the Last Three Years and VIII – Certification by Employer. This application should not be completed until the member has ceased active employment. **The member may be paid for sick leave days after their last day of employment; however, they may not have any paid days after the effective date of the disability application.** The section completed by the employer should include contributions for any sick leave, annual leave, or comp payments.

Members who also have an account with one of the other state retirement systems should contact that retirement system, as benefits between the retirement systems must be coordinated. Service credit in KTRS and the other state retirement systems combine to meet eligibility requirements for disability retirement.

EFFECTIVE DATE

The effective date of disability retirement is either the first day of the month following receipt of the properly executed Application for Disability Retirement or the first day of the month following the employer's last payment of salary as sick leave benefits, whichever is the latter date.

CALCULATION OF BENEFITS

The formula used for the initial calculation of disability retirement is 60% of the member's final average salary. The member's monthly benefit will remain at this 60% throughout the entitlement period. The calculation for a member who retires on disability with fewer than five years of service will be based on 50% of the last annual contract salary.

If a member remains disabled at the end of the entitlement period, the member's benefit will be recalculated using the service retirement formula. If the member is less than 60 years of age, they are considered as age 60 with no reduction in benefits due to early retirement. The member will **not** convert to service retirement at that time. All limitations on employment and earnings will still be in effect. The member will also be required to continue submitting medical and financial information for continued benefits.

CONTINUING STATUS

Employers should not ask the member for a resignation at the time of application for disability retirement. Teachers and superintendents of local school districts who take disability retirement retain continuing status in the school district from which they retired for a period of 24 months. If the teacher or superintendent recovers from disability within the 24-month period and presents the school board with a release from a licensed physician no later than April 15 prior to the beginning of the school year, the school district is required to reinstate the teacher or superintendent to active continuing status at the beginning of the next school year.

TAXABILITY OF DISABILITY BENEFITS

Disability retirement benefits are reported as taxable income for federal income tax purposes.

LIFE INSURANCE BENEFITS

Members retired on disability retirement have a life insurance benefit of \$5,000 through the retirement system. The member should complete the Designation of Beneficiary for Life Insurance Benefit form at the time of retirement. A new form should be completed if the member wishes to change the beneficiary.

SURVIVOR BENEFITS

If a member dies while on disability, the member's surviving spouse or qualified beneficiary may be eligible for service retirement benefits, a monthly survivor benefit, or a refund of any remaining account balance. The retirement system should be notified of the member's death so that the survivor benefits may be dispensed in a timely manner. See Chapter 13 for more specific information on death benefits.

Benefits Payable upon Death

Active Contributing Member

Life Insurance Benefit

Remaining Accumulated Contributions

Survivor Benefits

Retired Member

Life Insurance Benefit

Remaining Accumulated Contributions

Survivor Benefits

Other Considerations

Beneficiary Designations

Taxes

Additional Information

Application Procedures

**Benefits for Part-time Employees
and Substitute Teachers**

EMPLOYER RESPONSIBILITIES

Your responsibilities begin when the member is employed. Each KTRS employer must ensure that KTRS members complete a 'Membership Application' (Form F-1), which includes the beneficiary designation for their retirement account. Employers should also get members to complete a "Designation of Beneficiary for KTRS Life Insurance Benefit" form (DB-1). For active contributing members, the employer must accurately report their earnings before their date of death.

KTRS benefits payable upon death vary according to the member's status at the time of their death. At the time of their death a KTRS member is classified as either (1) an active contributing member or (2) a retired member or a member eligible for retirement.

All members, regardless of status, should have beneficiary designations for their retirement account and for their life insurance benefit. These may be separate beneficiaries or the same beneficiary.

ACTIVE CONTRIBUTING MEMBER

If a member is in active contributing status at the time of their death, then their beneficiary or estate may be eligible for the following KTRS benefits:

- A \$2,000 life insurance benefit
- A refund of any remaining accumulated contributions
- A monthly survivor benefit

In the event of death of an active contributing member, the beneficiary/beneficiaries may receive either (1) a refund of their account balance or (2) a monthly annuity. Some restrictions may apply.

KTRS must have a certified copy of the deceased member's death certificate on file before benefits can be processed. Other supporting documents may also be required.

Life Insurance Benefit

KRS 161.655 provides the legal authority for payment of a life insurance benefit to the beneficiaries of KTRS active and retired members. This benefit is funded by employer contributions to the system (See Chapter Four: Payment of Required Contributions). This benefit is not subject to either federal or state income tax.

If the member's death occurs in the fiscal year after the fiscal year in which the member last contributed to KTRS, then the member is considered to be in active contributing status. The life insurance benefit of a member in active contributing status is \$2,000.

Remaining Accumulated Contributions

The benefits available to beneficiaries of members in active contributing status depend upon whether or not the member was eligible to retire on the date of their death. If the member was eligible to retire due to accumulated service credit at the date of their death, then the member's spouse or legal dependent may elect to receive a monthly annuity in lieu of a refund of their account balance. The

amount of the annuity that may be received must be actuarially equivalent to the annuity the member would have received if retirement had preceded death.

Beneficiaries of members in active contributing status who at the time of the member's death were not eligible to retire or were receiving disability benefits may elect to either receive a refund of their account balance or receive monthly benefits.

Refunds of accumulated contributions are returned as a lump-sum payment.

Beneficiaries of an active or inactive member who choose a refund will receive a return of the member's retirement contributions plus interest. Contributions made to the KTRS medical insurance fund are not refundable. The member's annual Statement of Retirement Account lists the contributions and interest that are refundable after death.

Survivor Benefits

(KRS 161.525) The **Death of a Member in Active Contributing Status Who Was Not Eligible to Retire and the Death of a Member Receiving Disability** entitles the member's beneficiary to elect monthly survivor benefits or a refund of their account balance. The monthly amount the beneficiary is eligible to receive is as follows:

- Surviving spouse \$180 per month. If surviving spouse's total yearly income is below \$6,600 then the monthly benefit is increased to \$240 per month
- Unmarried children under age of 18 (19 if a full-time high school student) receive \$200 per month for one child, \$340 per month for two children, \$400 per month for three children and \$440 per month for four children
- Dependent parents over the age of 65 receive \$200 per month for one parent and \$290 per month for two parents
- Dependent brother or sister may receive \$165 per month
- Dependent children may continue to receive benefits until the age of 23 if they are a full time college student
- The benefits to all the dependents, including the surviving spouse, cease upon subsequent marriage

If the active contributing member had a minimum of ten years service credit at the time of death, the surviving spouse may choose a plan to receive the member's retirement at the time the member would have qualified for benefits. In the interim, the spouse may qualify for benefits under the survivor program. If the spouse selects this option, then benefits will be terminated if the spouse remarries.

A monthly survivor benefit payable to a dependent beneficiary may be paid to a trust provided the trust meets certain requirements. Please call KTRS at 1-800-618-1687 or 502-848-8660 if a trust is being considered for beneficiary designation.

RETIRED MEMBER

If a member was retired or on disability at the time of their death, then their beneficiary or estate may be eligible for the following KTRS benefits:

- A \$5,000 life insurance benefit
- A refund of any remaining accumulated contributions
- A monthly survivor benefit

KTRS must have a certified copy of the deceased member or annuitant's death certificate on file before benefits can be processed. Other supporting documents may also be required.

Life Insurance Benefit

KRS 161.655 provides the legal authority for payment of a life insurance benefit to the beneficiaries of KTRS active and retired members. This benefit is funded by employer contributions to the system (See Chapter Four: Payment of Required Contributions). This benefit is not subject to either federal or state income tax.

If the member was receiving retirement or disability benefits at the time of their death, then the life insurance benefit is \$5,000.

Remaining Accumulated Contributions

Upon the death of a retired member, KTRS will administer the account as specified under the option chosen by the member at retirement. The remaining balance of the member's contribution that has not and will not be paid as a retirement benefit at the time of death will be paid to the member's beneficiary.

Refunds of accumulated contributions are returned as a lump-sum payment.

Beneficiaries of annuitants will receive accumulated contributions minus the amount the member received as a retirement annuity. This distribution will be subject to federal income tax. (See Chapter Nine: Refunds for additional information on refunds due of death.)

Survivor Benefits

(KRS 161.525) The option chosen by the member at retirement will govern the survivor annuity benefit.

If the deceased member was a disability retiree with 27 years of service credit at the time of their death, the member's spouse, if named as beneficiary, may elect to receive a monthly annuity equal to the annuity that would have been received by the member had service retirement been effective on the day before the member's death. Remarriage does not terminate this benefit.

A monthly survivor benefit payable to a dependent beneficiary may be paid to a trust provided the trust meets certain requirements. Please call KTRS at 1-800-618-1687 or 502-848-8660 if a trust is being considered for beneficiary designation.

OTHER CONSIDERATIONS

Beneficiary Designation

At the time of employment, each KTRS employer is required to ensure that each KTRS member completes a "Membership Application" (Form F-1). KTRS members designate their beneficiary by completing Part IV of Member Application (Form F-1). Members may change their beneficiary by completing a "Designation of Beneficiary for Active Members Only" (Form F-1C) form.

KRS 161.655 requires the life insurance benefit to be paid to either "...the member's estate or to a party designated by the member on a form prescribed by KTRS". KTRS encourages its active and retired members to complete and file the "Designation of Beneficiary for KTRS Life Insurance Benefit" form (DB-1) with KTRS. Failure to complete this form or to keep it current could cause the member's beneficiary to incur significant legal costs upon the death of the member. Members should call 800-618-1687 or 502-848-8660 to request this form. Please note that this beneficiary designation does not change the beneficiary designation on the member's retirement account. If KTRS does not have a completed beneficiary form on file for the member, the death benefits mentioned above will be made payable to the member's estate.

Members and annuitants may change beneficiary designations at any time and should review their designation periodically. Members may verify their beneficiary designation by contacting KTRS. To change beneficiaries, a new form must be completed. Beneficiary forms are available by calling the KTRS Information Center 1-800-618-1687 or 502-848-8660.

KTRS provides for the designation of three types of beneficiaries: (1) A primary beneficiary, (2) a contingent beneficiary, and (3) co-beneficiaries. KTRS law requires the signature of the member's spouse if the member designates someone other than the spouse as beneficiary or co-beneficiary.

Contingent beneficiaries receive benefits only if all designated primary beneficiaries predecease the member. If the member's beneficiary designation includes more than one person (co-beneficiaries), then the benefits are divided equally among the living beneficiaries. If no beneficiaries survive, the benefits are paid to the member's estate.

A surviving spouse must send KTRS a copy of the couple's marriage license or, if this is not available, a religious record of marriage. The surviving spouse must also provide a copy of his or her own birth certificate. Birth certificates for any minor children of the member are also required.

Taxes

Survivor benefits that are paid in the form of a monthly annuity are taxable income in the calendar year during which they are received by the beneficiary.

The Accounting Division will send Form 1099-R to the beneficiary and the IRS reporting the amount paid (including direct rollovers) during a calendar year. In addition to showing the amount paid, the Form 1099-R will report the portion that is taxable, the amount of federal income tax withheld, if any, and any amount directly rolled over.

Benefits received from KTRS are subject to Kentucky income tax. The 1099R provided each year by KTRS indicates the amount or the percentage of the annuity that is subject to Kentucky taxation. Beneficiaries who reside in other states should check with their state's Department of Revenue for information concerning the taxability of benefits.

ADDITIONAL INFORMATION

The Employer Guide only summarizes tax rules that might apply to a member's payment. The rules described are complex and contain many conditions and exceptions that are not included in this guide. Therefore, members may want to consult with a professional tax advisor before receiving benefit payments from KTRS.

More specific information on tax treatment of payments from qualified retirement plans can be found in IRS Publication 575, Pension and Annuity Income, and IRS Publication 590, Individual Retirement Arrangements. These publications are available at www.irs.gov, from local IRS offices, or by calling 1-800-TAX-FORMS.

Additional information regarding the tax treatment under Kentucky Tax Law can be found by contacting your nearest Kentucky Taxpayer Service Center or the Kentucky Revenue web site at www.revenue.state.ky.us.

Application Procedures

Beneficiaries applying for survivor benefits should call KTRS at 1-800-618-1687 or 502-848-8660. When notifying KTRS of the member's death, provide the deceased member's name, Social Security number, and date of death. KTRS will forward a letter and the appropriate forms to the member's designated beneficiaries for completion. The application requires that beneficiaries provide a certified copy of the member's death certificate, copies of marriage and birth certificates for the surviving spouse, and a copy of the recipient's social security card.

If the member was an active teacher at the time of death, the school district must certify the member's earnings prior to the date of death. KTRS will calculate either a lump sum or a monthly benefit option.

The executor of the member's estate will receive an Application for Death Benefits (Form 9). This form will be accompanied by information regarding direct deposit of payments, federal income tax withholding, the Medical Insurance Fund (MIF), and the taxability of survivor benefits. Once KTRS receives the completed election form and all other required documents, benefits will be processed and then issued by the Accounting Division.

An annuitant's retirement benefit is payable through the date of death. We issue payments at the end of the month for the preceding month. Any payments issued to the annuitant beyond the month of death must be returned to KTRS.

Benefits for Part-time Employees and Substitute Teachers

Members working 45 days per fiscal year will be eligible for survivor benefits and a life insurance benefit for the balance of the fiscal year under certain conditions. For substitute and part-time members - the survivor benefits and life insurance benefit are provided during the first 44 days if death occurs because of physical injury on the job.

Statement of Retirement Account

Correction of Member Information

Statement of Retirement Account

Member Information

Service Credit

Pension Fund Balance

Interest Earned

Accumulated Account Balance

Service Credit Adjustments

Computation of Net Retirement Contribution

Designated Beneficiaries

Change of Beneficiary Form

Each September KTRS prepares a Statement of Retirement Account for each active member. The statement covers the previous fiscal year, July 1 through June 30, and is mailed to the member's mailing address on file at KTRS. To assure prompt delivery of the annual statement, members must keep their addresses current with KTRS.

Members should review their statement and contact us immediately if they believe any information has been omitted or incorrectly stated. In addition, members may wish to update their beneficiary designation after receiving the statement.

The statement consists of three sections: Correction of Member Information, Statement of Retirement Account, and Change of Beneficiary Form.

The key elements of each section of the statement include:

CORRECTION OF MEMBER INFORMATION

Part A of the Member Statement is a form to make corrections and changes regarding member information. This may include Social Security number changes, address changes, etc. There is also an area on this section to comment or remark about differences or questions you may have regarding your account. This form may be returned to KTRS if changes or comments are made.

STATEMENT OF RETIREMENT ACCOUNT

1. Member Information

This section provides important information concerning your account. If you note any omissions or discrepancies, please contact KTRS.

2. Service Credit

The statement shows the member's credit at the beginning of the fiscal year, additions, and adjustments made during the year, and the balance at year-end. Members who work a full contract year should receive one year of service credit. If employment was for a portion of the fiscal year or contract year, then service credit is awarded in proportion to a full year. If you worked less than a full year and earned fractional service credit, you may be eligible to purchase the balance of the year; you should contact KTRS or your employer immediately about your right to obtain this credit since there is a time limit for this type of purchase.

3. Pension Fund Balance

This section shows the member's contributions at the beginning of the current fiscal year, additional contributions made during the year, and the member's ending balance at the year-end. The balance is split between tax-sheltered and previously taxed monies. Contributions made after August 1982 are classified as tax-sheltered contributions. The current year addition to this account or the net contribution has been reduced by your mandatory contribution (per KRS 161.420(5)) to the Medical Insurance Fund (MIF). See Computation of Net Retirement Contributions.

4. Interest Earned

Interest earned represents the member's beginning interest, the interest earned in the current fiscal year, and the balance at year-end. Interest is credited to the member's account annually based on the member's accumulated account balance at the beginning of the fiscal year.

5. Accumulated Account Balance

The balance represents the member's total monies in KTRS, including the balances in the pension fund and interest field.

6. Service Credit Adjustments

This field reflects all payments (prior to June 30) made by personal check and any adjustments such as changes in service credit. Service credit as of the end of the fiscal year reflected on the statement does not include credit for pending service unless the full amount of the required contribution for establishing the credit has been received at KTRS by June 30 of the fiscal year. Pending service credit is added to the total service credit in the fiscal year in which it is fully paid. A total service credit figure is given for the end of the fiscal year. Any service with another Kentucky retirement system will be reported on the member's statement of benefits from the other system.

7. Computation of Net Retirement Contribution

This field shows how the net retirement contribution for the current fiscal year was derived. Please check this information carefully. Do not be concerned by variations of \$1.00 or less from the actual contract salary. We compute this figure based on gross retirement contributions received in the fiscal year being reported.

8. Designated Beneficiaries

This section provides important information regarding the beneficiaries you have designated to receive certain benefits in the event of your death. If you marry after becoming a member, your spouse automatically becomes your primary beneficiary. Divorce voids any previous spousal beneficiary designation, and your estate, if there is no other named beneficiary remaining, automatically becomes the beneficiary unless the member subsequently designates another beneficiary. In the event of marriage, divorce, or the beneficiary's death, you should file a new beneficiary designation with KTRS. To file a new beneficiary designation, use the Change of Beneficiary Form (Form F-1C).

Your account is subject to audit at any time before or after retirement. Upon discovery of any error in System records, the System will correct all records, including but not limited to membership in the system, salary and service credit, member and employer contributions, and benefits payable.

CHANGE OF BENEFICIARY FORM

This form should be completed and returned to KTRS if any changes need to be made in your beneficiary designation. You should read all instructions carefully before completing this Change of Beneficiary Form.

All information should be reviewed on the Member's Annual Statement. All discrepancies should be reported immediately in writing to KTRS. Discrepancies in retirement contribution field should also be reported to the employer.

Medical Programs for Retirees

Eligibility

Member

Spouse

Dependent Child

Enrollment

At Retirement

After Retirement

Medical Coverage for Retirees

Under Age 65

Age 65 and Over

MEHP Prescription Drug Program

MEHP Payment Schedule

Re-Employed Retirees

EMPLOYER RESPONSIBILITIES

Several important responsibilities you have as an employer are:

- 1) To be sure that active insurance term dates are processed in accordance with the plan, based on the certification provided by the district on Page 6 of the retirement application.
- 2) To notify the retirement system when you have a retiree who returns to work so their KTRS insurance coverage can be terminated.
- 3) To file termination of insurance forms in a timely manner.

The KTRS medical programs are provided as an optional program and a service to KTRS retirees. These programs are not part of the regular retirement program and are subject to change when necessary to contain expenses within the funds available to finance the programs. Currently, retirees under age 65 are offered coverage through the State Group Health Plan (SGHP). A retiree age 65 or Medicare eligible is offered coverage through the KTRS self-insured Medicare Eligible Health Plan (MEHP).

Retired member payments, active member contributions, investment earnings, and state matching monies fund the KTRS medical programs. Active members contribute 0.75% of their compensation to the Medical Insurance Fund. Retired members pay a portion of the cost of their medical insurance. In addition, KTRS makes a supplemental payment toward the cost of the members insurance. The KTRS supplemental payment applied toward the retiree's insurance premium is based on service retirement credit. If the retiree's original hire date was before July 1, 2002, and he/she retired with 20 or more years of service, the retiree will receive the maximum supplemental payment toward coverage. If the original hire date was July 1, 2002, or after, the member must retire with 27 or more years of service to receive the maximum supplemental payment toward coverage.

ELIGIBILITY

Member:

Members of KTRS will be eligible for medical benefits if they retire for disability with five (5) years of KTRS service, or if they retire for service and are at least fifty-five (55) years of age and have at least five (5) years of creditable service or have a minimum of twenty-seven (27) years of creditable service.

Spouse:

Spouses of retired members may be eligible for medical coverage through KTRS, but KTRS does not pay any supplement toward the cost of a spouse's coverage. Coverage in one of the KTRS medical plans is through the retiree. If the spouse is not covered by the KTRS medical plan at the time of the retiree's death, the spouse will have thirty (30) days from the date of death to elect coverage or permanently decline coverage.

Dependent Child:

Children of MEHP enrollees are only eligible for KTRS medical coverage if a non-Medicare spouse enrolls in a Parent Plus Plan with the dependent child.

ENROLLMENT

At Retirement:

If a member indicates a desire for coverage on the retirement application, he/she will be mailed an insurance packet giving the information needed to select an insurance plan. The insurance application should be completed and returned to the KTRS office within fourteen (14) days of the effective date of retirement. Insurance will become effective the first day of the month following the effective retirement date. If a completed insurance application is not returned by the deadline, this non-response will be interpreted as a waiver of coverage.

After Retirement:

If a member does not elect coverage at retirement, he/she may only enroll during the annual open enrollment period or within thirty (30) days of a loss of coverage due to a qualifying event. If a loss of other coverage occurs, the retiree must contact KTRS immediately and complete an application no later than thirty (30) days following the qualifying event in order to enroll. It is the responsibility of the retiree to prove eligibility.

MEDICAL COVERAGE FOR RETIREES

Under Age 65:

Medical coverage for retirees under the age of sixty-five (65) is currently provided through the same state-administered plans offered to active teachers.

Each month KTRS pays a supplement toward the insurance premium based upon years of retirement service. The following list gives the percentage of the SGHP supplement payable by KTRS. If the monthly premium is more than the retiree's supplement, the difference is deducted from the annuity.

Years of KTRS Retiree Service	Percentage
20 and above	100
15 - 19.99	75
10 - 14.99	50
5 - 9.99	25
Less than 5	Not eligible

If the member was hired July 1, 2002, or after, the supplemental percentage schedule is a graduated scale ranging from 10% to 100% based on the number of years of retirement service credit.

Age 65 and Over:

Retirees entitled to Medicare due to attainment of age 65 or Social Security Disability may select secondary medical and prescription drug coverage through the KTRS self-insured Medicare Eligible Health Plan (MEHP).

Medicare, the health insurance program for persons age 65 and older and certain disability retirees below age 65, is composed of two parts: Part A (Hospital Insurance) and Part B (Medical Insurance). Part A is automatically extended to retirees if they are eligible for Social Security benefits. Retirees must apply for Part B and pay the required monthly premium to Social Security. KTRS will not deduct the Part B premium from the annuity check. The premium must be paid to Social Security. It is very important that retirees enroll in Part B of Medicare at the time they become eligible. The KTRS MEHP is incomplete without Part B.

The KTRS MEHP plan provisions assume that each individual who qualifies for Medicare coverage has enrolled in all eligible parts. The MEHP requires that all health expenses covered must first be considered for payment under Medicare. Any benefits payable or which would be payable under Medicare, whether or not the retiree has enrolled in Part B, will be deducted from the medical expenses covered under the MEHP before the benefits of the Plan are determined. If retirees fail to enroll in any part of Medicare for which they are eligible, the MEHP will not reimburse them for expenses that would have been covered by Medicare. It is important that members apply for Medicare coverage as soon as they qualify. Retired members should contact the local Social Security office at least forty-five (45) days before the month in which they turn 65 for details regarding enrollment in Medicare.

MEHP PRESCRIPTION DRUG PROGRAM

The KTRS self-insured MEHP currently offers Medicare eligible retirees a prescription drug program. The program consists of a Retail Drug Program and a Home Delivery Program. The Retail Drug Program is designed for initial and short-term prescriptions and allows up to a 30-day supply of medication to be obtained at a retail pharmacy. The Home Delivery Pharmacy Program is designed for prescriptions that are taken on a long-term basis and allows up to a 90-day supply of medication to be obtained at a Home Delivery Pharmacy.

MEHP PAYMENT SCHEDULE

The following list, the KTRS Supplemental Payment Schedule, gives the percentage of the cost of the Medicare Eligible Health Plan paid by KTRS. If the cost of coverage is more than a retiree's supplement, the difference is deducted from his/her annuity.

Years of KTRS Retiree Service	Percentage
20 and Above	100
15 - 19.99	90
10 - 14.99	80
5 - 9.99	70
Less than 5	Not Eligible

If the retiree was hired July 1, 2002, or after, the supplemental percentage schedule is a graduated scale ranging from 10% to 100% based on the number of years of retirement service credit.

RE-EMPLOYED RETIREES

Retired members (at any age) who are re-employed in positions that make them eligible for medical insurance coverage through the Office of Public Employee Health Insurance SGHP, regardless of whether they are receiving a retirement allowance or not, will be required to waive their KTRS medical insurance coverage.

Subsequent termination of that active employment is considered a qualifying event permitting re-enrollment through KTRS. To avoid a lapse in coverage, retirees expecting to experience this qualifying event should complete an application one month before the termination of their active employment, but no later than 30 days from that qualifying event.